

# Topic paper – Economic evidence base: offices and industry

March 2022 (Ref: LBM01b)

## Executive summary

- 1.1. National and London policy requires councils to prepare planning policies to support the conditions for businesses to invest, expand and adapt, supporting economic growth and being clear how this will be realised in town centres, in industrial areas, and elsewhere, and for a range of uses including retail, offices, leisure industrial and logistics.
- 1.2. Flexibility is key in plan-making not to inhibit businesses in reacting to unforeseen circumstances or taking advantage of market signals and consumer behaviour. This is required in plan-making by the NPPF and also supported by changes to permitted development, allowing many changes of use to take place outside the planning system.
- 1.3. Data on business growth, jobs and market trends gathered for the past two years is somewhat of an outlier due to the impact of the global Covid19 pandemic combined with the UK leaving the EU and now war between Ukraine and Russia. Therefore Merton officers have used up-to-date evidence of development and planning trends, market signals, dialogue with Business Improvement Districts and others, quantitative data from CoStar and the GLA's Economic Outlook combined with longer term analysis that supports the London Plan 2021. These findings include consideration of market signals on the future of office working and industrial demand as we emerge from the pandemic. It also includes consideration of substantial flexibility supported by the NPPF 2021 and introduced by the changes to the Use Classes Order from 2020 onwards in supporting offices, light industrial and research and development to locate anywhere in a "Use Class E" premises without reference to the Local Plan, and the scope for securing the delivery of specific business space or needs via the planning system.
- 1.4. This economic evidence supports Merton's policies in the Regulation 19 Local Plan and has remained relatively stable for Merton over the past decade.
- 1.5. It demonstrates that there continues to be high demand for speculative high spec Grade A offices, flexible workspace and co-working in Wimbledon town centre but little demand for office space elsewhere in the borough. There is likely to be a need for 28,000 to 39,000sqm of offices over the next decade, not including offices

ancillary to other uses. Most of this will be located in Wimbledon town centre and will include refurbishment of existing office space to support different layouts and create buildings that are more sustainable to run.

1.6. The economic evidence demonstrates that Merton should continue to retain the industrial capacity it has, alongside other boroughs in south London such as Sutton, Wandsworth and Kingston upon Thames, and that the objectively assessed needs for -5ha of industrial land should be made by co-location, substitution and intensification. Market signals since the evidence supporting the London Plan 2021 demonstrate an increased demand, very low vacancy rates and increased investment in industrial estates in Merton.

1.7. It is our view that the evidence base to support the economic strategy in the Local Plan is sufficiently up to date. This includes the evidence presented in this topic paper combined with previously submitted documents. Information from the London Industrial Demand Study 2017 (13D1), the London Office Policy Review (13D2) and the London town centre healthcheck analysis (13D3) is supplemented with:

- Feedback and engagement with landowners, Business Improvement Districts, Merton Chamber of Commerce and businesses, both via the Local Plan consultations and via other engagement with the council (e.g. as part of Merton Partnership). Some examples include Merton Chamber of Commerce (see link to [Merton Chamber of Commerce response to Reg18, stage 2a, February 2021](#)) the South Wimbledon Business Area BID (see link to [South Wimbledon Business Area BID response to Reg18, stage 2a, January 2021](#)) and LoveWimbledon BID (see part of [Submitted Document 0D7 – Regulation 19 response from LoveWimbledon](#) )
- Primary data on investment: planning records, site delivery and town centre and business area surveys (stored in Merton’s Shopping Survey 2004-2021 and Merton’s Commercial database 2004-2021)
- Successive GLA reports on London’s economic outlook (the most recent published in 2021 as Appendix XX)
- Market signals from CoStar and other sources, including property consultants’ inputs on rental levels in viability testing (e.g. CoStar reports for 2020 and 2021 contained as Appendix 1 and 2 to this report; [Merton’s housing viability study 2020 \(Submitted Document 11D7\)](#))
- National policy and the London Plan, and the changes to the General Permitted Development Order to support greater flexibility for different types of business to locate without the need for planning permission.

## National policy and guidance

2.1. In July 2021 the National Planning Policy Framework was published, updating the national policy for plan-making. Aside from the paragraph numbers, no changes were made to chapter 6 “building a strong competitive economy” or Chapter 7 “ensuring the vitality of town centres” between the NPPF Feb 2019 and the NPPF July 2021.

2.2. NPPF 2021 paragraphs 81-83 state:

*81 Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future. This is particularly important where Britain can be a global leader in driving innovation, and in areas with high levels of productivity, which should be able to capitalise on their performance and potential.*

*82. Planning policies should:*

*a) set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;*

*b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;*

*c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and*

*d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.*

*83. Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations*

2.3. NPPF 2021 paragraph 86 states

*Planning policies and decisions should support the role that town centres play at the heart of local communities, by taking a positive approach to their growth, management and adaptation. Planning policies should:*

*a) define a network and hierarchy of town centres and promote their long-term vitality and viability – by allowing them to grow and diversify in a way that can respond to rapid changes in the retail and leisure industries, allows a suitable mix of uses (including housing) and reflects their distinctive characters;*

*b) define the extent of town centres and primary shopping areas, and make clear the range of uses permitted in such locations, as part of a positive strategy for the future of each centre;*

*c) retain and enhance existing markets and, where appropriate, re-introduce or create new ones;*

*d) allocate a range of suitable sites in town centres to meet the scale and type of development likely to be needed, looking at least ten years ahead. Meeting anticipated needs for retail, leisure, office and other main town centre uses over this period should not be compromised by limited site availability, so town centre boundaries should be kept under review where necessary;*

*e) where suitable and viable town centre sites are not available for main town centre uses, allocate appropriate edge of centre sites that are well connected to the town centre. If sufficient edge of centre sites cannot be identified, policies should explain how identified needs can be met in other accessible locations that are well connected to the town centre; and*

*f) recognise that residential development often plays an important role in ensuring the vitality of centres and encourage residential development on appropriate sites.*

The NPPF also sets out national policy on plan-making. Paragraph 31 states *The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.*

2.4. The National Planning Policy Guidance contains more details on the evidence required to plan for businesses. This pre-dates the NPPF 2021 but is still relevant guidance.

2.5. Paragraph 06 of the NPPG “How can strategic policy making authorities prepare and maintain evidence about business needs” has informed Merton’s approach to plan-making for businesses and this topic paper.

- **What are the steps in gathering evidence to plan for business?**

Strategic policy-making authorities will need a clear understanding of business requirements in their area. The steps in building up this evidence include:



- working together with county and neighbouring authorities, Mayors, combined authorities and with Local Enterprise Partnerships to define the most appropriate geography to prepare policies for employment;
- preparing and maintaining a robust evidence base to understand both existing business needs and likely changes in the market, with reference to local industrial strategies where relevant; and
- engaging with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.

Paragraph: 040 Reference ID: 61-040-20190315 Revision date: 15 03 2019

- **How can authorities use this evidence base to plan for business?**

Authorities can use this evidence to assess:

- the need for land or floorspace for economic development, including both the quantitative and qualitative needs for all foreseeable types of economic activity over the plan period, including for retail and leisure development;
- the existing and future supply of land available for economic development and its suitability to meet the identified needs. This should be undertaken at the same time as, or combined with, Strategic Housing Land Availability Assessments and should include a reappraisal of the suitability of previously allocated land.
- the likely availability and achievability of employment-led development, taking into account market signals;
- the role, capacity and function of town centres and the relationship between them, including any trends in the performance of centres;
- locations of deprivation which may benefit from planned remedial action; and
- the needs of the farming and food production industries, including the location and extent of the best and most versatile agricultural land, and the ways in which planning could support investment in those industries.

Paragraph: 041 Reference ID: 61-041-20190315

### **Permitted development: greater flexibility outside the planning system**

3.1. In September 2020 government introduced changes to the General Permitted Development Order to allow much greater flexibility for town centre type uses to change to other town centre type uses. It groups the former use classes of A1 (shops), A2 (financial and professional), A3 (restaurants and cafes) as well as parts of D1 (non-residential institutions) and D2 (assembly and leisure) and puts them all into one new use class E. This means that, for example, a shop can change to a restaurant or a health centre or back again without having to seek planning permission and without recourse to the Local Plan. From 1<sup>st</sup> August 2021 Use Class MA allows

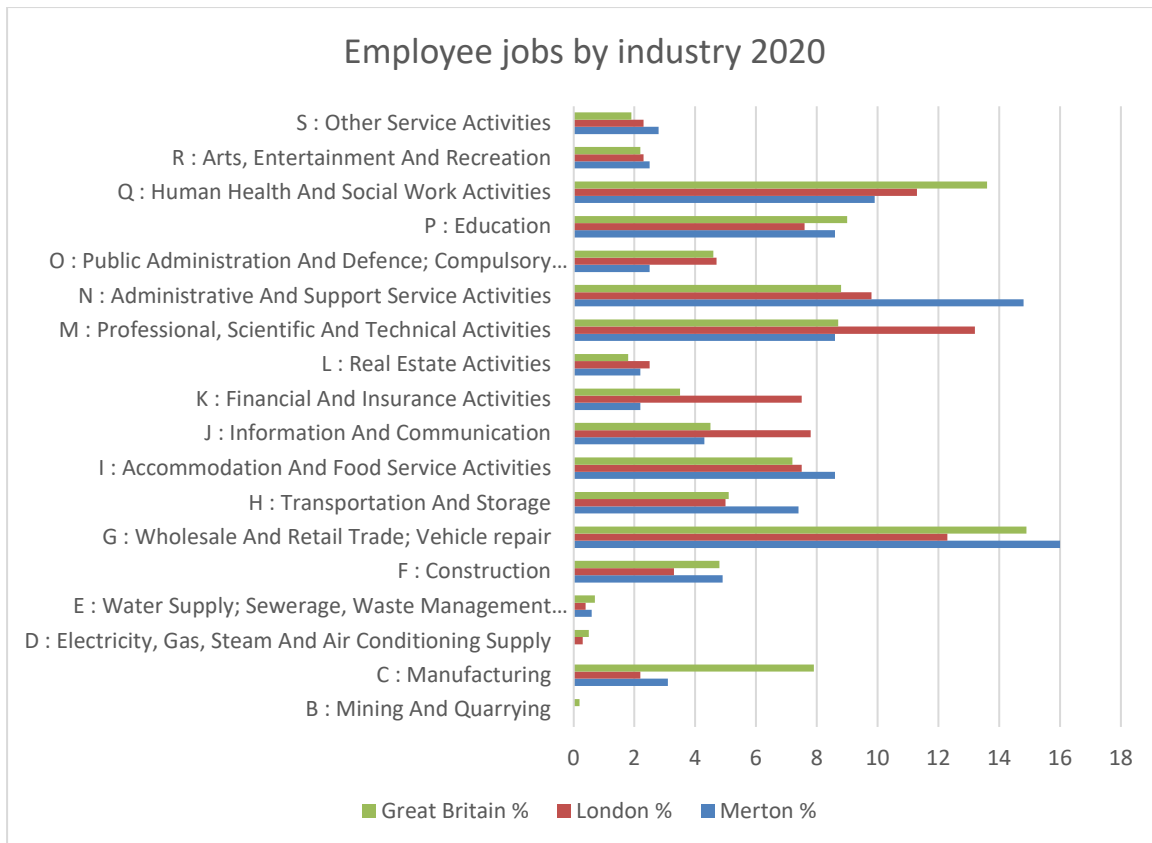
anything in Use Class E to convert to residential without the need for planning permission or reference to the Local Plan under certain conditions (for example, shops, banks, restaurants or health centres can convert to residential). One of those conditions is based on the size of premises, having to be smaller than 1,500sqm. The evidence in Chapter 4 of this topic paper demonstrates that over 90% of premises in Merton's town centres and neighbourhood parades are smaller than 1,500sqm and would qualify for this aspect of permitted development.

### **GLA Employment Forecasts**

3.2. The London Labour Market Projections 2017 to 2050 project that jobs in London will grow from 2016 at an annual average rate of 0.78 per cent a year, equivalent to 49,000 jobs, to reach 6.907 million in 2041.

3.3. Jobs in the professional, real estate, scientific and technical sector are expected to grow strongly, accounting for over a third of the total increase expected in London to 2041. Strong employment growth is also expected in the administrative and support services, accommodation and food services, information and communications sectors, education and health sectors. Data from Nomis demonstrates that Merton is currently (and has been for the past decade) well represented in these sectors .

Graph 1.1 Employee jobs by industry in 2020(ONS via Nomis)



3.4. The table below sets out the GLA’s employment projections for Merton, which were used to inform the London Plan. According to the ONS Annual Population Survey, 117,400 people were in employment in Merton in September 2021, down from a high of 125,000 in July 2019 (sourced via [Nomis](#) and the [London Datastore](#))

Table 1: GLA 2017 employment projections for Merton

| 2021   | 2026   | 2031    | 2036    | 2041    |
|--------|--------|---------|---------|---------|
| 93,000 | 97,000 | 101,000 | 105,000 | 108,000 |

Source: 2017 employment projections for London by borough, GLA Economics

### Mayor’s Economic Strategy December 2018

3.5. This strategy sets out the Mayor’s ambitions for a prosperous and sustainable economy in London and a fairer, more inclusive economy. It seeks to promote London globally as a destination and partner for investment, trade, and tourism, and build links with other cities around the world.

## London Plan March 2021

3.6. London Plan 2021 Policy E4: “Land for industry, logistics and services to support London’s economic function states at part A “A sufficient supply of land and premises in different parts of London to meet current and future demands for industrial and related functions should be provided and maintained, taking into account strategic and local employment land reviews, industrial land audits and the potential for intensification, colocation and substitution (see Policy E7 Industrial intensification, co-location and substitution). This should make provision for the varied operational requirements of...”

3.7. The table below lists the London Plan policy E4a requirements and sets out where these can be found in Merton’s Local Plan.

Table 2 London Plan policy E4a and the locations of these operational requirement in Merton, including the Local Plan policy reference:

| London Plan policy E4 A  | Location of operational requirements in Merton   |
|--|--|
| 1) light and general industry (Use Classes B1c and B2)   | In Merton these uses are provided for in Merton’s SILs and LSIS. In addition, outside the scope of this Local Plan light industrial uses can locate anywhere within another Class E use without the need for planning permission. This is set out in Local Plan Policy EC13.2 and EC13.3   |
| 2) storage and logistics/distribution (Use Class B8) including ‘last mile’ distribution close to central London and the Northern Isle of Dogs, consolidation centres and collection points | In Merton these services can locate in Strategic Industrial Locations. While self-storage has been a factor in Merton for several years, recent market signals demonstrate an increase in storage and distribution functions. This is set out in Policy EC13.2   |
| 3) secondary materials, waste management and aggregates  | In September 2021 the South London Waste Plan examination in public hearings took place. The SLWP 2022 is due to be published (sometime after 5th May 2022) to enable a final round of engagement post hearings. For Merton the South London Waste Plan plans for waste management operational requirements. Businesses in Merton’s Strategic Industrial Locations are involved in construction materials recycling including the creation of aggregates. Merton’s Local Plan contains Strategic Policy W14.4 Waste Management |

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| 4) utilities infrastructure (such as energy and water)  | Merton’s Local Plan strategic infrastructure policies (e.g. IN14.1 “infrastructure” and F15.7 “sustainable drainage”) are supported by Merton’s Infrastructure Delivery Plan 2021 (14D4) which demonstrates infrastructure delivery in Merton to support growth, including water and wastewater, gas and electricity, digital infrastructure and energy networks   |
| 5) land for sustainable transport functions including intermodal freight interchanges, rail and bus infrastructure                            | During the preparation of this Local Plan, the council has worked closely with Transport for London and neighbouring boroughs on Crossrail2 (new rail) and the Sutton Link (new tram). However neither of these will now be delivered within this local plan period. The council continues to work closely with Transport for London on bus and electric vehicle charging infrastructure. Merton’s Local Plan policies T16.4 “parking and low emissions vehicles” and T16.5 “supporting transport infrastructure” delivers this. |
| 6) wholesale markets  | The nearest wholesale market to Merton is in the neighbouring boroughs of Wandsworth and Lambeth (New Covent Garden Market). There are no proposals for a wholesale market in Merton   |
| 7) emerging industrial-related sectors;   | Merton’s Local Plan policies in SILs, LSIS and scattered employment sites provide the flexibility for these uses to locate in the borough, depending on the nature of that use. Policies EC13.2 and EC13.3 support this. This is assisted by the additional flexibility offered by the changes to the Use Classes Order introduced in September 2020.  |
| 8) flexible (B1c/B2/B8) hybrid space to accommodate services that support the wider London economy and population                             | Merton’s Local Plan policies in SILs, LSIS and scattered employment sites provide the flexibility for these uses to locate in the borough, depending on the nature of that use. Policies EC13.2 and EC13.3 support this. This is assisted by the additional flexibility offered by the changes to the Use Classes Order introduced in September 2020.  |
| 9) low-cost industrial and related space for micro, small and medium-sized enterprises (see also Policy E2 Providing suitable business space) | Merton’s designated industrial areas and scattered employment sites contain a wide range of types and sizes of business space. Merton is a borough of fragmented land ownership so many sites, even in SILs, are not substantial. There are several business centres in Merton which offer   |

|  |  |
|--|--|
|  | smaller units with flexible sizes and short term rental levels (e.g. Site RP7 Rainbow Estate, Raynes Park; Abbey Business Centre in Willow Lane; Garth Road business centre in Garth Road.)  |
| 10) research and development of industrial and related products or processes (falling within Use Class B1b). | Merton’s Local Plan policies in SILs, LSIS and scattered employment sites provide the flexibility for light industrial uses to locate in the borough, depending on the nature of that use. Policies EC13.2 and EC13.3 support this. This is assisted by the additional flexibility offered by the changes to the Use Classes Order introduced in September 2020 which allows light industrial uses (now Class E(g)(ii) to locate in any former Class E premises. |

3.8. Since the London Plan policy was published in March 2021:

- changes to the Use Classes Order have created Use Class E “Commercial, business and service”, which incorporates, amongst other matters, all of the B1a/b/c Use Classes and permits changes between offices, light industrial, research and development and a far wider range of business functions (shops, cafes restaurants, gyms and other indoor sports, healthcare, creches, day nurseries and other activities. This creates flexibility in investment and development, allowing premises and floorspace to change between multiple uses without the need for planning permission.
- the NPPF was published in July 2021, citing the need for flexibility in being able to respond to economic circumstance.
- In September 2021 South London Waste Plan examination in public hearings took place and the South London Waste Plan 2022 is due to be published (sometime after May 2022) to enable a final round of engagement post hearings. For Merton the South London Waste Plan plans for waste management operational requirements.

## OFFICES

### London Office Policy Review 2017 and London's Economic Outlook 2021

- 3.9. The London Office Policy Review (LOPR) 2017 provides a review of office market trends and data. Although this was developed before the pandemic, key themes include employment and floorspace projections, changing workstyles and homeworking, the UK leaving the EU, flexible and affordable offices and employment sector demand. Many of these issues are not new and have been rapidly accelerated by the pandemic.
- 3.10. LOPR office employment projections suggest an increase of 619,300 jobs, from 1.98m in 2016 to 2.60m in 2041, a rise of 31%. This translates into a requirement for an additional 6.06 million m<sup>2</sup> of office space through to 2041 (employment-based forecast).
- 3.11. In Merton, LOPR gives the forecast demand for net additional office space between 2016 and 2041 of 24,300sqm of office floorspace, based on a composite of trend-based and employment based office floorspace projections. It recommends that Wimbledon has the capacity for speculative office development (one of few outer London town centres to retain this designation in successive London Plans.
- 3.12. The LOPR was written prior to the UK's withdrawal from the EU but with the knowledge that this was happening and it cited a great degree of uncertainty over forecasts due to Brexit. Since then the global pandemic has further destabilized the global economy and made accurate short term and long term forecasting even more difficult.
- 3.13. The GLA Economics publication (December 2021) "London's Economic Outlook – Autumn 2021" (Appendix 3 to this report) provides the GLA's medium term planning projections for London's economy and states There remains a very high degree of uncertainty about the future path of the economy at the current moment. The GLA's London's Economic Outlook – December 2021 predicts economic impacts from continued global supply chain issues, rising inflation and a greater degree of international protectionism.
- 3.14. The Economic Outlook presents 3 possible scenarios for economic recovery – gradual, fast and slow. Given the December 2021 London Economic Outlook would not have taken account of the global economic destabilization of the Ukraine / Russia conflict has brought, the slow economic recovery seems the most conservative approach. Under this scenario:

- London's Output (GVA) – declined by 7.1% during 2020 (better than the 9.5% decline that was forecast in 2020) before returning to growth of 5.8% in 2021, 2% in 2022 and 2.5% in 2023.
- London's employment (workforce jobs) – decline by 2.1% in 2020 and is forecast to rise by 0.2% in 2021, before returning to modest growth of 2.1% in 2022 and 1.2% in 2023. In real terms, workforce jobs are expected to increase from 5.9million in 2020 to 6.1 million by 2023

3.15. In summary, from the LOPR 2017 to "London's economic outlook December 2021, it is widely acknowledged that macroeconomic circumstances make accurate forecasting of employment and economic factors extremely difficult. However, while the GLA forecast suggests that, whilst there will be an adverse impact on London's economy in the short term, growth should return, albeit modestly during 2022 and 2023. At the time of writing (early 2022) there is no forecast that would suggest a fundamental change in the long term employment or floorspace.

3.16. In this time of uncertain economic outlook, we are combining these forecasts with analysis as to what has been happening on the ground in Merton for office and business space investment in the past, and particularly during these events to inform the future.

#### **Future of the office and local market signals**

- 4.1. Like changing consumer shopping behaviour, there has been a lot of debate about the future of the office post pandemic. For example "[The future of workplace" research carried out by Cushman & Wakefield and George Washington University \(January 2021\)](#) suggests that 73% firms expect to move to some level of working remotely. However, the same report proposes that businesses see office space as crucial to inspiring workplace culture, innovation, creativity, training and career development. The report concludes that current office footprint sizes will remain steady, keeping the same space with a lower day-to-day office-based headcount to create space for collaboration training and greater social interaction in the workspace compared to pre-pandemic layouts.
- 4.2. Other research on this topic reaches similar conclusions. In August 2021 CoStar hosted an event "[London calling – what is the outlook for offices in a post pandemic world?](#)" which included market data demonstrating that the demand for high quality, well designed, lower carbon offices was increasing, not reducing. Feedback from the LoveWimbledon BID on the post pandemic office needs also corroborates these findings.
- 4.3. CoStar reports on the office submarket in Merton demonstrate prolonged office demand due in the main to a scarcity of new office supply in Merton, which may be constraining business opportunities to locate there. The most recent CoStar report



for Merton’s office submarket (July 2021) shows a 5% vacancy rate, and that new office schemes command top end rental values.

4.4. The July 2021 CoStar report describes the Merton submarket (in reality, almost entirely Wimbledon town centre) as one of the most expensive south of the Thames and commanding rents of up to 40% higher than surrounding boroughs of Croydon, Sutton and Kingston upon Thames.

4.5. Although surveys suggest a change in attitude to the place of work, this is not reflected in development activity for offices in Wimbledon, as evidenced by planning applications received and pre-application enquiries being made to Merton from 2020 onwards. (some of which do not seem to have been picked up by the “construction” section in the CoStar report) with rents in newly refurbished Wimbledon offices achieving £55 per square foot.

4.6. In November 2020, the FutureWimbledon SPD ([submitted document 9D1](#)) was adopted. Pages 93-94 of this SPD highlights office development in Wimbledon. This table is updated below. It demonstrates that there continues to be demand for office floorspace and an appetite to invest in high quality new or repurposed offices in Wimbledon town centre, recognizing the attractions of the area.

Table 3: Office demand and capacity Wimbledon town centre

| Planning status    | Site address         | Ownership | Proposal   | Phase              | Office capacity (sqm) |
|--------------------|----------------------|-----------|--|--------------------|-----------------------|
| Recently completed | Wellington House     | Private   | Office refurbishment and upward extension                                  | Recently completed | 1795                  |
| Recently completed | 22-24 Worple Road    | Private   | Office refurbishment, alterations and upward extension                     | Recently completed | 5684                  |
| Recently completed | 153-161 The Broadway | Private   | Redevelopment of site to provide hotel (Premier Inn)                       | Recently completed | 0                     |
| Recently completed | Polka Theatre        | Private   | Redevelopment of theatre   | Recently completed | 0                     |
| Recently completed | 271-273 The Broadway | Private   | Redevelopment for 14 residential units and commercial unit at ground floor | Recently completed | 0                     |
| Recently completed | 120 The Broadway     | Private   | Alterations and extensions to office                                       | Recently completed | 5,390                 |

| Planning status                      | Site address                                 | Ownership | Proposal   | Phase              | Office capacity (sqm) |
|--------------------------------------|--|-----------|--|--------------------|-----------------------|
|                                      |  |           | building to upgrade to Category A offices  |                    |                       |
| Recently completed                   | 1-4 Francis Grove                            | Private   | Redevelopment to create a nine storey building, providing Category A offices           | Recently completed | 8638                  |
| Recently completed                   | Swan Court 11 Worple Road Wimbledon SW19 4JS | Private   | Redevelopment to create a six storey building, providing new offices                   | Recently completed | 333                   |
| Under construction                   | 27-39 Hartfield Road                         | Private   | Redevelopment for hotel with commercial units on ground floor                          | 0-5 years          | 0                     |
| Under construction                   | YMCA 196 The Broadway                        | Private   | Redevelopment to provide residential flats, YMCA accommodation, and ancillary uses     | 0-5 years          | 0                     |
| Under construction                   | 229 The Broadway                             | Private   | Design improvements to existing building   | 0-5 years          | 0                     |
| Planning permission recently granted | 141 The Broadway                             | Private   | Redevelopment for 20 apartments and new ground floor commercial unit                   | 0-5 years          | 0                     |
| Planning permission recently granted | 17-27 The Broadway                           | Private   | Refurbishment and upward extension to create flexible restaurant/bar/cinema space      | 0-5 years          | 0                     |
| Planning permission recently granted | 188-194 The Broadway                         | Private   | Redevelopment to create a seven storey office building, providing Category A offices   | 0-5 years          | 2062                  |
| Planning permission recently granted | Wimbledon Bridge House                       | Private   | Refurbishment with alterations to building frontage and extra three storeys of offices | 0-5 years          | 21,549                |

| Planning status  | Site address   | Ownership | Proposal   | Phase      | Office capacity (sqm) |
|--|--|-----------|--|------------|-----------------------|
| Planning permission recently granted   | St George's East, 5 St George's Road                   | Private   | Redevelopment to create a 12 storey building of Category A offices               | 0-5 years  | 25,891                |
| Planning permission granted - not started.                                   | The Phoenix Hotel 123-125 Merton Road                  | Private   | Demolition of existing hotel and development of 21 flats                         | 0-5 years  | 0                     |
| Planning permission granted. Not started - site advertised for office rental | Barry House, 20-22 Worple Road                         | Private   | Redevelopment of office building to residential                                  | 0-10 years | 0                     |
| Planning permission granted. Not started - site advertised for office rental | Beacon House, 26-28 Worple Road                        | Private   | Redevelopment of office building to residential                                  | 0-10 years | 0                     |
| In planning  | 41-47 Wimbledon Hill Road                              | Private   | Redevelopment for hotel and offices with commercial units on ground floor        | 0-5 years  | 244                   |
| In planning  | 12 Hartfield Road, 9 Broadway Place, 7-27 The Broadway | Private   | Redevelopment for ground floor shops and restaurant with offices on upper floors | 0-5 years  | 6713                  |

| Planning status                          | Site address                            | Ownership     | Proposal   | Phase      | Office capacity (sqm) |
|--|---|---------------|--|------------|-----------------------|
| In planning                              | 13-19 Wimbledon Hill Road               | Private       | Demolition of existing commercial building and reprovision of c250sqm of offices and 20 apartments   | 0-5 years  | -594                  |
| In planning                              | 19 Worple Road                          | Private       | Redevelopment to create an eight storey building, providing new Category A offices   | 0-5 years  | 7702                  |
| In planning                              | 2a Trinity Road                         | Private       | Demolition of former private members club and replacement with 18 apartments   | 0-5 years  | 0                     |
| In planning                              | 56 Wimbledon Hill Road                  | Private       | New build office plus residential  | 0-5 years  | 85                    |
| In planning                              | 40 St George's Road                     | Private       | Conversion to provide additional office space  | 0-5 years  | 235                   |
| Pre application and site allocation Wi16 | Centre Court Shopping Centre            | Private       | Pre application advice for Centre Court Shopping Centre redevelopment and reconfiguration, (including co working and flexible workspace)         | 0-10 years | 9000                  |
| Pre application and site allocation Wi6  | Highlands House, 165-171 The Broadway   | Private       | Including offices  | 5-10 years | 1600                  |
| Site allocation Wi2                      | Broadway car park, 111-127 The Broadway | Public sector | A suitable mix of town centre type uses such as retail, café and restaurants, community, cultural, leisure and entertainment, offices and hotel. | 5-10 years | 2000                  |

| Planning status         | Site address   | Ownership     | Proposal  | Phase      | Office capacity (sqm) |
|-------------------------|--|---------------|---|------------|-----------------------|
| Site allocation<br>Wi5  | Hartfield Road car park 42-64 Hartfield Road                 | Public sector | A mix of uses appropriate to a town centre including retail, offices, assembly and leisure and hotel. There may be some scope for residential on upper floors facing Hartfield Road where this improves viability | 5-10 years | 2000                  |
| Site allocation<br>Wi9  | 28 St George's Road  | Public        | A suitable mix of town centre type uses such as community use, retail, financial and professional services, offices, hotel and residential.   | 5-10 years | 500                   |
| Site allocation<br>Wi10 | Prospect House, 30 St George's Road                          | Private       | Offices or hotel  | 0-5 years  | 500                   |
| Site allocation<br>Wi11 | Victoria Crescent 39-59 The Broadway, 1-11 Victoria Crescent | Private       | A suitable mix of town centre type uses such as retail, café and restaurants, community, cultural, leisure and entertainment, offices and hotel.  | 5-10 years | 2000                  |
| Site allocation<br>Wi13 | 8-20 Worple Road and 20-26 St Georges Road                   | Private       | A mix town centre types uses such as retail, financial and professional services, offices, hotel or Community (including health/day centre), residential on upper floors to enable                                | 5-10 years | 2000                  |

| Planning status | Site address | Ownership | Proposal                | Phase | Office capacity (sqm) |
|-----------------|--------------|-----------|-------------------------|-------|-----------------------|
|                 |              |           | commercial development. | led   |                       |

Source: pages 93-94 of the the FutureWimbledon SPD ([submitted document 9D1](#)) updated with from Merton’s commercial database and other planning records.

- 4.7. Investor signals, market demand and planning records leads to an assessment of office demand as approximately 33,985sqm of office floorspace in Wimbledon in next 10 years. Allowing for a 10% variation to provide flexibility, re, the range of potential demand for office floorspace in Merton is 28,000sqm to 39,000sqm (not including ancillary offices) which should mainly be located in Wimbledon town centre. This is in general conformity with the London Plan 2021, which identifies Wimbledon as one of only four town centres in London with capacity for speculative office development.
- 4.8. In Merton, planning records over a 15-year period, dialogue with businesses, landowners and Business Improvement Districts also demonstrates that there is almost no demand for office floorspace outside Wimbledon. Wimbledon is where both the market demand and needs are established. This is reflected in successive London Plans (for example, London Plan 2021 annex A town centre characteristics) successive London office policy reviews, local evidence and successive planning policies in Merton.
- 4.9. In the longer term, it is expected that there will continue to be some flex in demand for office floorspace as leases end and businesses take the opportunity to review their assets and their occupancy strategies. However Wimbledon may be in a position to take advantage of asset reviews in central London and elsewhere, offering new and refurbished office space with opportunities to socialize in an attractive local environment with easy access to central London, Surrey and Sussex and the south coast
- 4.10. The continued investment in office space in Wimbledon town centre demonstrates an ongoing level of attractiveness and demand for office floorspace from investors. In recognition of the flexibility required for town centre and economic uses by the NPPF and the London Plan, the council has not allocated any sites for solely office purposes. We will continue to monitor development trends (whether via the planning system or permitted development) and will continue to liaise with LoveWimbledon BID and the businesses and landowners in Wimbledon to support office developments.

## INDUSTRY AND RELATED FUNCTIONS

5.1. The economic policies in Merton's Local Plan have been informed the NPPF and the London Plan and by:

- [The London Industrial Demand Study 2017 \(13D1\)](#)
- [The London Office Policy Review \(13D3\)](#)
- Feedback and engagement with landowners, Business Improvement Districts, Merton Chamber of Commerce and businesses, both via the Local Plan consultations and via other engagement with the council (e.g. as part of Merton Partnership)
- Primary data on investment: planning records, site delivery and town centre and business area surveys (stored in Merton's Shopping Survey 2004-2021 and Merton's Commercial database 2004-2021)
- Successive GLA reports on London's economic outlook (the most recent published in 2021)
- Market signals from CoStar and other sources, including property consultants' inputs on rental levels in viability testing

### Existing businesses and their needs

31. As set out in paragraph 1.7 of this topic paper, Merton's Local Plan has been informed by feedback from business representatives including Merton Chamber of Commerce, LoveWimbledon BID, South Wimbledon Business Area BID and by landowners and businesses themselves.
32. Part of the evidence for the Local Plan economic policies and land use designations is an analysis of the existing business locations and who they serve. Appendix 5 to this report contains profiles of the Strategic Industrial Locations and Locally Significant Industrial Sites.
33. It is clear from these profiles that there are clusters and co-locational advantages to different business areas.
  - Willow Lane is characterized more by heavy industry and waste management than South Wimbledon Business Area and Prince George's Road.
  - Areas with road frontage tend to attract retail warehousing.
  - In general businesses tend to serve the wider London markets, aside from more local enterprises such as used car dealerships and the motor trade.
  - Proximity to sensitive receptors, whether existing homes, homes within the designated industrial estates created via prior approval or the river Wandle characterizes all of Merton's industrial areas apart from the South Wimbledon Business Area.
  - Most estates have road access directly onto A-roads, but business feedback is that local congestion can be problematic for trade.

- Most estates contain a very wide range of different business activities, from car repairs to art restoration to food production to waste management.

### Demand for industrial land

34. As part of London, Merton's economy is closely interlinked with the wider London area and it is key to understand demand across London in order to understand Merton's economy. Merton's Local Plan was started in 2017, the same year as the publication of the London Office Policy Review and the London Industrial Demand Survey.

35. The London Industrial Demand Survey 2017 provides both strategic and local evidence and was the basis for the London Plan 2021. It considers land uses on a borough-by-borough basis and provides explanations for the changing past trends and future forecasting.

Table 4: extracted local evidence for Merton from the London Industrial Demand Survey, comparison with London

|  | Merton      | London         |
|--|-------------|----------------|
| Change in industrial floorspace 2001-2016  | 70,000 sqm  | 5.1million sqm |
| Average prime rent per square metre (Wandle Valley)                                  | £121.09     | £126.16        |
| Projected change in industrial jobs 2016-41  | -800 jobs   | -36,000 jobs   |
| Projected change in industrial floorspace sqm 2016-41 (employment projection method) | -21,700 sqm | -1,151,400 sqm |
| Projected change in industrial floorspace sqm 2016-41 (trend based)                  | -116,300sqm | -1,048,100 sqm |
| Forecast demand for general and light industry (average, ha) 2016-2041               | -10.6 ha    | -166.5 ha      |
| Change in warehouse floorspace stock 2008-15   | 30,000      | Not given      |
| Projected change in demand for warehouse floorspace sqm 2016-41                      | 41,000      | 1,608,400      |
| Projected change in demand for warehouse land (ha) 2016-41                           | 6.3         | 279.6          |



|   | Merton | London |
|---|--------|--------|
| Industrial land net release by borough (ha) 2016-41 | -5     | -232.6 |

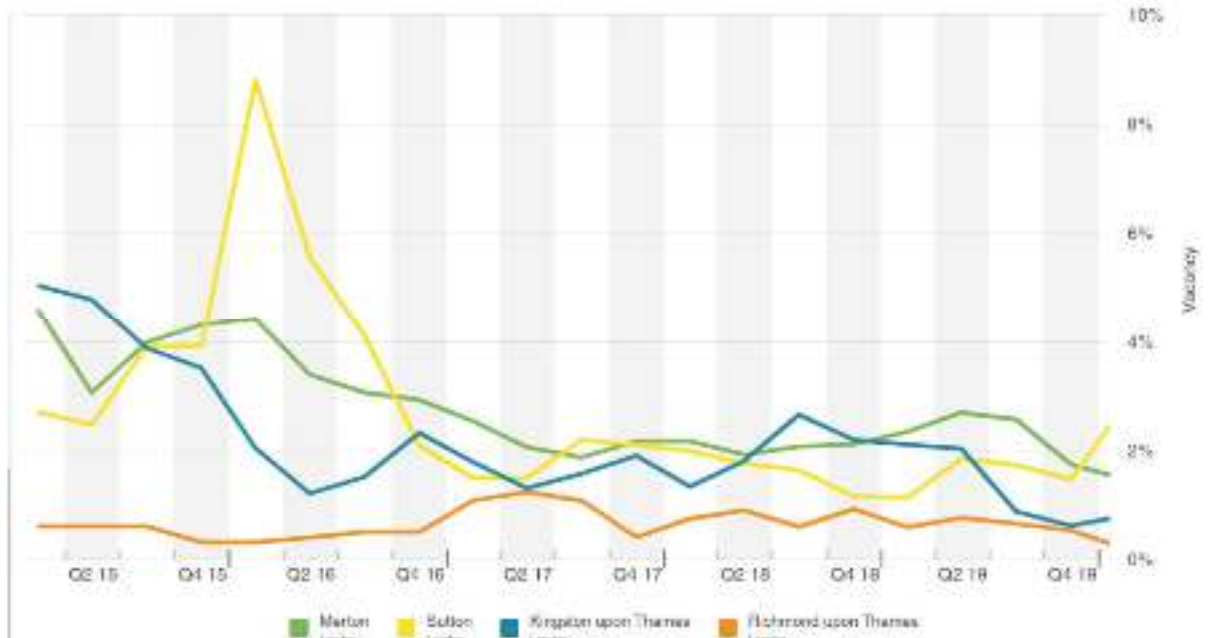
36. The study’s conclusion is that Merton is categorised as retaining its industrial land reservoir, with a net release of -5ha between 2016-2041. This is similar to all other boroughs in the Wandle Valley, with Croydon and Kingston also being categorised as “retain” and Sutton and Wandsworth expecting to expand their industrial space, being categorised as “provide capacity”.
37. Previous employment and industrial studies across London (e.g. London Plan 2016; [Mayor of London’s Land for Industry and Transport Supplementary Planning Guidance 2015](#)) have also categorised Merton and other boroughs in the Wandle Valley industrial market as needing to retain industrial capacity and restrict release. The reasons given in successive guidance and studies still hold true: these borough have easy access to central London and outer south London, high demand for industrial and warehousing uses to serve central London markets, combined with a limited supply of land.

### What has changed since 2017? Market signals 2017-2021

38. The changes to national and regional policy and other global and UK economic impacts are summarized above. The uncertainties around the impact of the UK leaving the EU affected investment in London, including the relocation of office headquarters from London to the EU, greater in trade and cessation of the free flow of jobseekers and employees between the UK and the EU are summarized in GLA Economic Outlooks
39. The global pandemic destabilised business and employment and now acts as an outlier in trend based projections.
40. Since 2017, employment and industrial market signals for Merton demonstrates that demand for industrial space is high is high and vacancies are very low at less than 2% as demonstrated in Appendix A, the CoStar report dated January 2020 (just before the global pandemic). The three graphs below illustrate Merton’s industrial vacancy rate (Graph 1); broken down by submarket in Merton (Graph 2) and average industrial market rents per square foot.
41. Page 16 of Appendix A (CoStar report on Merton’s industry, January 2020) tracks Merton’s industrial vacancy rate from 2009 to 2020 and demonstrates a consistently declining vacancy rate from a high of 9% vacancy in 2011 to a tight market vacancy of 1.5% by January 2020. This very low vacancy rate and high demand for vacant space is corroborated by discussions with Merton Council’s own property management team, which manages industrial property both in the Weir Road / Durnsford Road SIL and scattered across the borough.

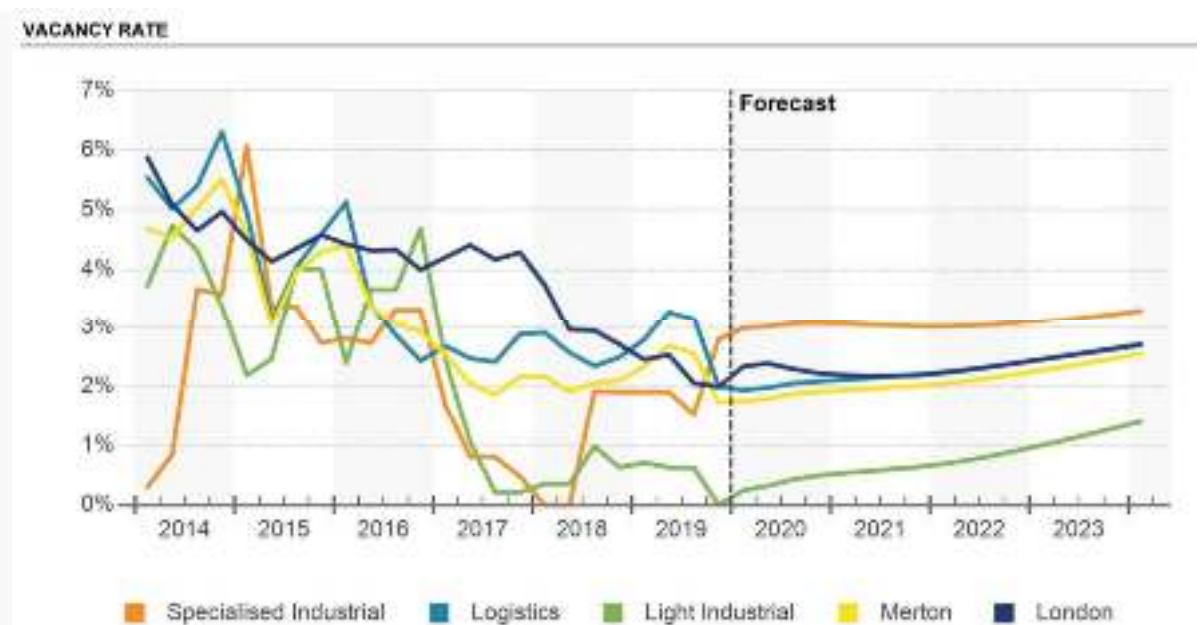
42. Appendix A (CoStar report January 2020) demonstrates that although the industrial rents averaged £13.50 per square foot, rental levels of +£17 and +£18 per square foot were being achieved in the South Wimbledon Business Area (called Merton Industrial Park in the CoStar report).

43. Graph 1 Industrial vacancy submarket 2015-2019 (Merton and other south London boroughs)



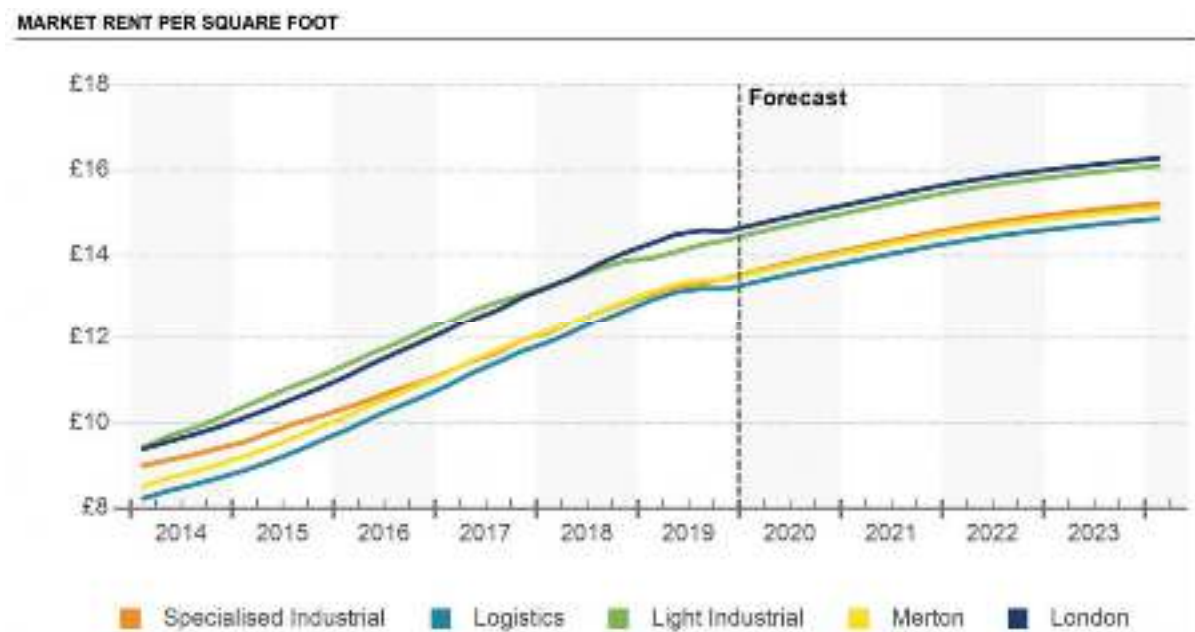
Source: CoStar Merton industrial report January 2020 (Appendix A)

Graph 2 Merton's industrial vacancy rate 2014 to 2023



Source: CoStar Merton industrial report January 2020 (Appendix A)

Graph 3 Merton – average industrial market rents per square foot



Source: CoStar Merton industrial report January 2020 (Appendix A)

44. Much has been written about the effects of the global pandemic on businesses: markets, supply chains, stratospheric demand for logistics, warehousing and deliveries, negative impacts on the business devoted to serving the central London office, restaurant and tourism market. Like all councils, Merton worked closely with businesses on providing business support (together with Merton Chamber of Commerce) and distributing central government grants provided for business support.
45. Feedback from businesses based in Merton’s industrial and business parks during 2020 and 2021 demonstrated the vulnerabilities of being part of the central London and international supply chain: when the restaurants, hotels, theatres and offices were required by law to close. However their suppliers (laundrettes, bakers, lighting engineers, food producers etc) were not legally required to close so therefore could not access all of the government support packages but instead had lost all of their clients and markets overnight.
46. Despite this and although other sectors of Merton’s economy such as retail have not recovered as quickly, market signals taken from mid 2021 demonstrate Merton continues to experience high demand for industrial floorspace, continued low vacancy rates and continued investment in industrial land and floorspace.

47. Appendix B contains the CoStar industrial report for Merton dated July 2021. It demonstrates that, despite the pandemic and uncertainties for London around Brexit, Merton’s industrial vacancy rate rose to 2.4% during 2020 but has reverted and is still historically low at 1.7%, only 0.2% greater than pre pandemic levels.
48. By way of example, paragraph 6.7.1 of the London Plan 2021 states that the efficient functioning of the industrial market operates at a vacancy rate of around 5% for land and 8% for floorspace. This helps to support a certain level of movement and market churn, providing space for new and expanding businesses.
49. The “overall rent and vacancy” tables in the successive reports at Appendix A and B demonstrate that Merton’s industrial vacancy rate has been below 8% since 2011
30. Appendix B demonstrates that market demand for land and floorspace for industry and logistics remains very strong and growing. Appendix B page 14 lists the sales values achieved for industrial space in Merton in 2020 and 2021. By way of comparison, paragraph 4.9 and Table 4.9.1 of [Merton’s housing viability study 2020 \(Submitted Document 11D7\)](#) demonstrates that residential sales values in Merton range from averages of £418 per square foot to averages of £1,050 per square foot; in some parts of the borough industrial sales values are currently performing better than residential sales values.
31. Table 5 below maps the industrial sales values achieved in 2020 and 2021 with Merton’s Local Plan industrial designations and combines them with planning activities from Merton’s planning records and Commercial Database to confirm whether or not these sites have been bought for industrial investment.

Table 5: Mapping recent industrial investments with planning and development records in Merton.

| Address in Appendix B CoStar 2021 | Merton’s new Local Plan designation? | Sales date   | Price per square foot | Links with Merton planning records / commercial database / dialogue with landowners and businesses |
|-----------------------------------|--------------------------------------|--------------|-----------------------|--|
| Willow Lane, Drake Road           | Willow Lane SIL                      | January 2021 | £645                  | Pre application discussions, relate to industrial, storage and distribution land uses              |
| Goat Road                         | Willow Lane SIL                      | January 2021 | £489                  | Pre application discussions on industrial, storage and distribution                                |
| Windsor Park                      | South Wimbledon Business Area SIL    | June 2021    | £392                  | Planning activity relating to Creative industry (22/P0366)   |
| Deer Park Road                    | South Wimbledon                      | March 2021   | £447                  | No current planning activity; currently occupied by provider of industrial and medical gasses      |

| Address in Appendix B CoStar 2021 | Merton's new Local Plan designation? | Sales date    | Price per square foot | Links with Merton planning records / commercial database / dialogue with landowners and businesses                         |
|-----------------------------------|--------------------------------------|---------------|-----------------------|--|
|                                   | Business Area SIL                    |               |                       |  |
| Windsor Park                      | South Wimbledon Business Area SIL    | June 2021     | £422                  | Planning activity relating to business use on Windsor Park but not enough detail to identify specific site                 |
| Streatham Road                    | Streatham Road LSIS                  | July 2020     | £150                  | Planning activity relating to Streatham Road but not enough detail to identify specific site                               |
| 50a Willow Lane                   | Willow Lane SIL                      | December 2020 | £1,190                | No current planning activity, construction supplier at this address. (Exceptionally high price could make this an outlier) |
| Prince George's Road              | Prince George's Road LSIS            | October 2020` | £361                  | No current planning activity,  |
| 32 Eveline Road                   | Scattered employment site            | August 2020   | £308                  | Planning permission for 6 homes (19/P0280 )  |
| 1-11 Willow Lane                  | Willow Lane SIL                      |               |                       | No current planning activity – site is part of Willow Lane Business Park with variety of businesses                        |
| 193 Garth Road                    | Garth Road LSIS                      | August 2020   | £94                   | No current planning activity – site is part of the Garth Road Industrial Centre supporting variety of businesses           |
| 24 Willow                         | Willow Lane SIL                      | July 2020     | £292                  | No current planning activity – site is part of Abbey Industrial estate supporting variety of businesses                    |
| 12 Goat Road                      | Scattered employment site            | July 2020     | £66                   | Change of use ground floor commercial to a flat (20/P0776)   |

Source: CoStar, Merton's Local Plan Reg19 and Merton's planning and investment records

32. Analysis of recent planning records and site allocation proposals demonstrate that landowners and investors are keen to seek the flexibility they are entitled to under the NPPF when considering commercial land uses. Even before the advent of Use Class E, it was relatively common for a landowner to seek planning permission for as wide a range of potential land uses as possible (e.g. shops, offices, financial and

business services, community uses, assembly and leisure). This would allow greater flexibility in attracting tenants.

33. Prior approval, changes to the Use Class Order and permitted development rights is leading to commercial floorspace changing sectors without recourse to the Local Plan and without needing to submit a planning application. Merton maintains a database of planning records involving commercial floorspace and undertakes an annual shopping survey of ground floor commercial units to establish on-the-ground changing circumstances.
34. Merton isn't the only London borough which is seeing increased demand and a constrained supply of land for industry and business. Appendix C to this report contains a report from the Industrial Land Commission at the Centre for London published in September 2021 [Does London have the right approach to industrial land? Industrial land Commission working paper, Centre for London, September 2021](#) (Appendix 6 to this report) The report notes the huge variety in occupiers and requirements for London's reservoir industrial land but considers that the high land values and market pressures on industrial land will continue for at least another five years. The report cites the constrained and increasingly expensive supply as harming London's businesses, particularly SMEs who can't always compete financially for space and the restriction on all businesses being able to find space to expand into larger and more suitable sites.
35. The report acknowledges the well documented and unmet demand for housing in London, while making 11 recommendations, including that
  - Londoners need places to work as well as to live,
  - most activities are located in London because they can't successfully locate elsewhere,
  - rising rents and low vacancy rates are creating an overheated industrial market, and
  - further reductions in industrial land in London will impact on its economic success and its ability to respond flexibility to changing patterns in society.

### **Consideration of plan-led industrial intensification, co-location and substitution to achieve wider planning objectives**

36. London Plan 2021 policy E7 "industrial intensification, co-location and substitution" and Paragraph 6.7.2 support the consolidation and appropriate substitution of industrial land, including designated industrial land, for other uses.
37. Evidence from London's Industrial Land Demand Study 2017 (13D1) that supports the London Plan indicated that Merton could release up to 5ha of industrial land. The draft London Plan in place during 2018 and 2019 stated that Merton should seek to retain its industrial capacity and market signals evidence on industrial demand demonstrated a growing demand for industrial space. Meanwhile London and



Merton's evidence on housing needs demonstrates a substantial need for land to support housing growth.

38. Therefore, in creating this Local Plan Merton has explored this approach in a plan-led approach via this Local Plan and the South London Waste Plan. The council proposes to release a 3.8ha site at Benedict Wharf, Mitcham from its SIL designation to provide new homes while increasing waste management capacity within the South London Waste Plan area via, in part, the allocation of Site Mi1 Benedict's Wharf. The council also proposes co-location of light industrial and residential activities as part of Site RP7 Rainbow Estate, Raynes Park.

### **Substitution and intensification – Site Mi1 Benedict's Wharf**

39. This 3.8ha site was allocated in previous Local Plans as a Strategic Industrial Location. Appendix 4 Mi1 Deliverability Assessment (dated 2020) sets out in some detail the rationale for the plan led approach, delivered in part by the allocation of Benedict's Wharf as Site Allocation Mi1 for *Residential with some non-residential uses that are commensurate with a residential setting (for example small workshops, community uses etc.) and deliverable. Reallocation is dependent on there being no loss of waste management capacity within the South London Waste Plan area. Merton Council will only support reallocation where the waste management capacity and function are moved within the South London Waste Plan area. Development of the site is an opportunity to provide much needed new homes and other compatible uses in a largely residential setting with surrounding infrastructure and minimise HGV (Heavy Goods Vehicle) and other heavy traffic and attributed to the waste management use of the site and minimise the associated road-based noise and air pollution.*
40. Historically the site had been part of SIL, designated for waste management in the South London Waste Plan, owned and operated by SUEZ (previously called Sita) for waste management uses. In 2012 SUEZ had been granted permission to intensify the waste management use on site. However, due to the sensitive receptors adjacent to the site (mainly primary schools and homes) the specific nature of that site and the planning conditions restricting hours of operation and HGV movements prevented SUEZ from implementing the planning permission effectively. As the nature of the site could not viably change and the schools and homes would always remain adjacent the site, similar planning conditions would be applied to any modern general industrial, warehousing or logistics development and would restrict their business operations; therefore the site could not support SIL operations viably.
41. Appendix 4 page 4 provides more details and demonstrates the consideration of (then draft) London Plan policy E7 "industrial intensification, co-location and substitution" including consideration of whether the site constraints could be viably overcome to support other intensified industrial development (e.g. creating a second access; creating a basement) whether there could be viable development of light industrial, R&D or other business uses on the site and whether there would be

demand for job-generating land use such as schools and other social infrastructure on site. Appendix 4 pages 3, 5 and 6 maps the site constraints and surrounding infrastructure.

42. Via submissions to Stages 2 and 2a of this Local Plan and to the South London Waste Plan 2022, the landowner SUEZ set out that they had purchased a site that was already allocated for waste management purposes in the London Borough of Sutton (also part of and allocated in Schedule 1 of the South London Waste Plan). SUEZ have since been granted the necessary permissions to conduct 24 hour waste management operations and intensify waste management uses, increasing their waste tonnage throughput and therefore making a greater contribution towards the waste management apportionment for the South London Waste Plan.
43. On the strength of the plan-led approach: the draft site allocation Mi1 and the release of Mi1 its waste management and SIL designations in respective Development Plans, SUEZ applied for outline planning permission for up to 850 new homes and 750sqm of commercial floorspace (ref 19/P2383). This was resolved to be granted in December 2020 by the Deputy Mayor of London on behalf of the Mayor of London and the GLA are due to issue the decision notice in March 2022.
44. The release of the 3.8ha site has also sufficiently met the 5ha industrial net demand projections from London's industrial land demand study 2017, particularly in the light of the increasing market demand since then.

#### **Co-location – Site RP7 Rainbow Estate, Raynes Park**

45. Another example of Merton's Local Plan supporting intensification and co-location of business and homes can be found in Site Allocation RP7 Rainbow estate, Raynes Park. The site is designated as a Locally Significant Industrial Site in Merton's local plan and is proposed for allocation as Employment led regeneration in line Rainbow Industrial Estate planning brief, including public realm improvements close to Raynes Park station which enables both retention of the same employment floorspace and provision of over 200 homes. Originally there was c3,500 sqm storage and light industrial floorspace occupying the entire site. Planning applications (including 14/P4287 have since delivered 3,449sqm of commercial floorspace which is operated as modern, flexible light industrial and business units by Workspace plc. The same planning applications 14/P4287 also contain provision for 224 new homes, although the residential element has not started construction.
46. At this time, no other sites have reliably come forward that can viably support co-location and substitution on Merton's designated industrial sites. Prior approval has resulted in some residential development in Merton's SILs and this has caused some significant problems for both the residential occupiers and nearby businesses. In light of the Industrial land demand study 2017, the London Plan 2021, the increased market demand for industrial uses in Merton, the nature of industrial uses in Merton's designated industrial areas, and lessons learnt from the problems caused by residential development locating in SILs under prior approval, the council



considers that the objectively assessed need for 5ha release has been met, while retaining industrial capacity elsewhere through intensification and is not proposing any further release of designated industrial land.

47. The council will continue to support intensification of industrial activity, particularly in all five SILs, via the planning process.

### **Conclusions - industry**

48. Despite (or maybe because of) the huge upheaval caused by Brexit and then the global pandemic) market signals and investment evidence since the 2017 London Industrial Land Demand study (13D1) demonstrates a continued trend towards strong market demand for industrial and warehousing and low vacancy rate in Merton's SILs and LSIS in particular.
49. It also demonstrates that current market investment in Merton's SILs is largely for industrial and business purposes, not with the expectation of residential conversion. It demonstrates that, in some parts of the borough, industrial land values are higher than residential.
50. Merton's approach has been to identify the objectively assessed need for industrial land as -5ha but to deliver this via substitution and intensification through the proposed allocation of Site Mi1 Benedict Wharf. This has maintained industrial and waste management capacity in south London by intensifying sites. The current market signals demonstrate strong demand and that no further industrial land loss is justified.



# Industrial Submarket Report

## Merton

London

**PREPARED BY**

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Brian Fraser  
Estates Surveyor



**INDUSTRIAL SUBMARKET REPORT**

|                          |           |
|--------------------------|-----------|
| Submarket Key Statistics | <b>2</b>  |
| Leasing                  | <b>3</b>  |
| Rent                     | <b>6</b>  |
| Construction             | <b>8</b>  |
| Sales                    | <b>11</b> |
| Sales Past 12 Months     | <b>12</b> |
| Supply & Demand Trends   | <b>14</b> |
| Rent & Vacancy           | <b>16</b> |
| Sale Trends              | <b>18</b> |

12 Mo Deliveries in SF

**30.8 K**

12 Mo Net Absorption in SF

**65 K**

Vacancy Rate

**1.5%**

12 Mo Rent Growth

**3.7%**

Fuelled by a combination of robust occupier demand and limited supply, fundamentals in the Merton industrial submarket have seen marked improvement this cycle. Vacancies now sit near cycle lows, with positive net absorption outpacing scarce new supply additions.

This dynamic, coupled with the generally positive performance and sentiment surrounding the sector, has allowed landlords to continue pushing rental expansion. Even older refurbished stock has benefited from the supply-constrained market, with newer stock pushing well above the submarket average.

As with many industrial submarkets, the majority of stock is logistics space, meaning average growth tends to follow the subsector. Growth has decelerated in recent quarters, though it remains positive across the board.

Investors have taken note of the submarkets robust fundamentals, with investment activity ramping up steadily in recent years. Volumes have reached £50 million in the past three years, including 2019, representing volumes more than double the historical annual average for the submarket. Deal frequency has also ramped up steadily, with 2018 and 2017 recording cyclical highs for the number of deals.

### KEY INDICATORS

| Current Quarter        | GIA              | Vacancy Rate       | Market Rent      | Availability Rate | Net Absorption SF | Deliveries SF | Under Construction |
|------------------------|------------------|--------------------|------------------|-------------------|-------------------|---------------|--------------------|
| Logistics              | 4,068,396        | 1.7%               | £13.22           | 6.0%              | 11,175            | 0             | 0                  |
| Specialised Industrial | 578,406          | 2.8%               | £13.48           | 5.0%              | 0                 | 0             | 0                  |
| Light Industrial       | 979,246          | 0%                 | £14.38           | 1.7%              | 0                 | 0             | 0                  |
| <b>Submarket</b>       | <b>5,626,048</b> | <b>1.5%</b>        | <b>£13.45</b>    | <b>5.2%</b>       | <b>11,175</b>     | <b>0</b>      | <b>0</b>           |
| Annual Trends          | 12 Month         | Historical Average | Forecast Average | Peak              | When              | Trough        | When               |
| Vacancy Change (YOY)   | -0.6%            | 4.5%               | 2.2%             | 9.4%              | 2011 Q3           | 1.5%          | 2020 Q1            |
| Net Absorption SF      | 65 K             | 7,513              | 75               | 133,740           | 2014 Q2           | (228,153)     | 2011 Q3            |
| Deliveries SF          | 30.8 K           | 7,284              | 13,609           | 30,836            | 2019 Q4           | 0             | 2019 Q1            |
| Rent Growth            | 3.7%             | 5.6%               | 2.7%             | 10.5%             | 2016 Q2           | -0.9%         | 2010 Q1            |
| Sales Volume           | £43.2 M          | £23.8M             | N/A              | £80.9M            | 2019 Q2           | £0            | 2013 Q1            |

Fundamentals in Merton's industrial inventory have been strong over the past few years. Limited new development has been outstripped by robust demand for assets when they become available, leading to tight vacancy compression. They currently sit near cycle lows at around 1.5%.

At this level, they have fallen back below the market average for the capital, which had crept up in previous quarters owing to the first delivery in the market for three years. The new supply, around 30,800 SF located at Lombard Road Industrial Estate, is currently available.

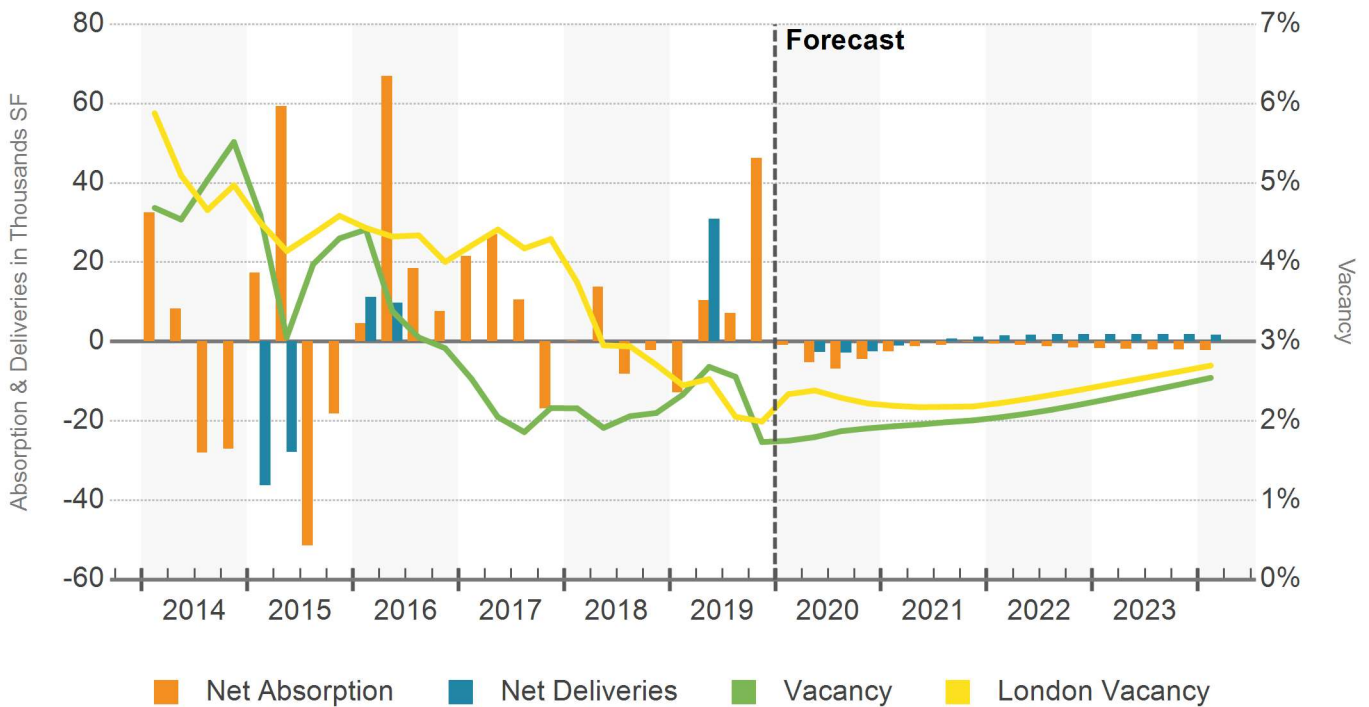
With such tight vacancies, new space generally lets at a significant premium to the market average, with quoting rents at the new space currently at £17.50/SF. Despite this high rent, market conditions bode well for the space's eventual lease-up, with available space typically snapped up quickly. A notable example of this demand

was of the largest move-outs recently at units 6 & 7 (41,200 SF) of The Willow Centre in early 2019. The space let within months and was recently occupied in the move-in this year.

Central Merton has been particularly popular in recent years, with a number of industrial parks located south of South Wimbledon and west of the River Wandle seeing strong demand. These include Saxon Business Centre, Windsor Park and Tramlink Park. New occupiers include Gandy International, SDS, Belderbos Landscapes and Forever Young.

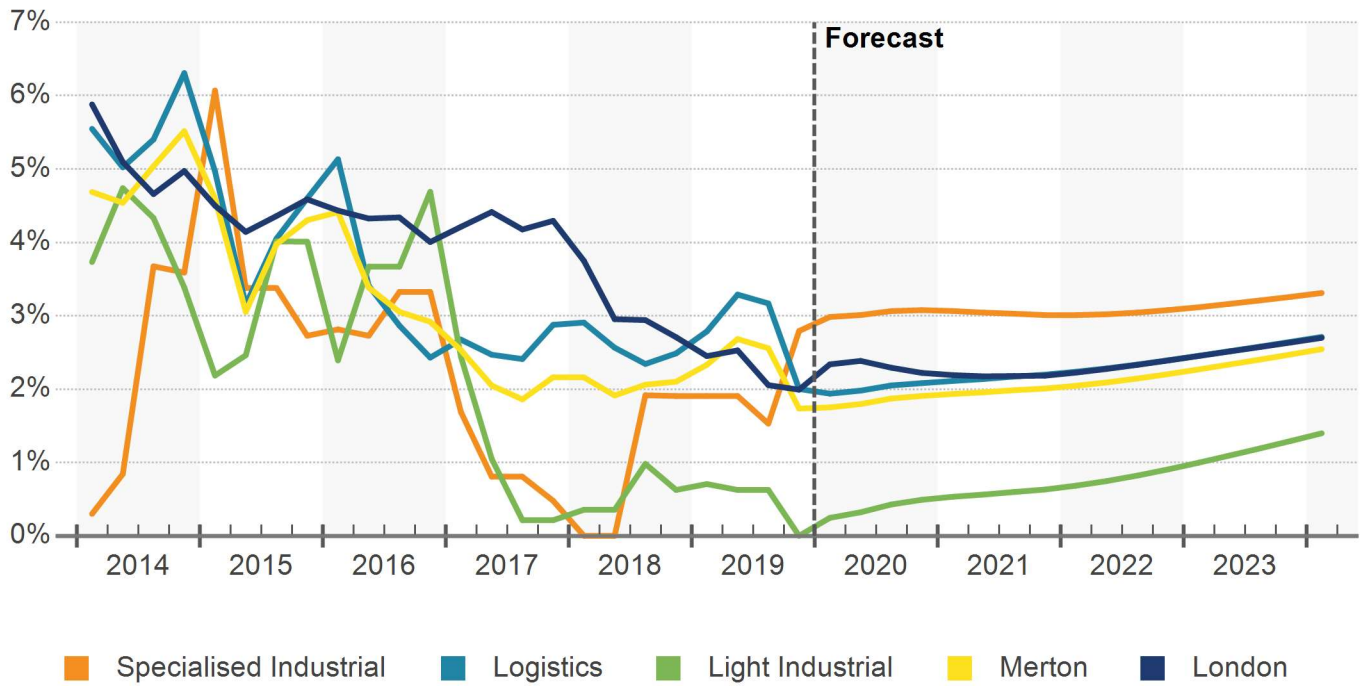
The area adjacent to Mitcham Junction Station has also been popular among occupiers of late, with several business and industrial parks seeing healthy demand. The most notable was the aforementioned moves at the Willow Centre later in 2019.

### NET ABSORPTION, NET DELIVERIES & VACANCY

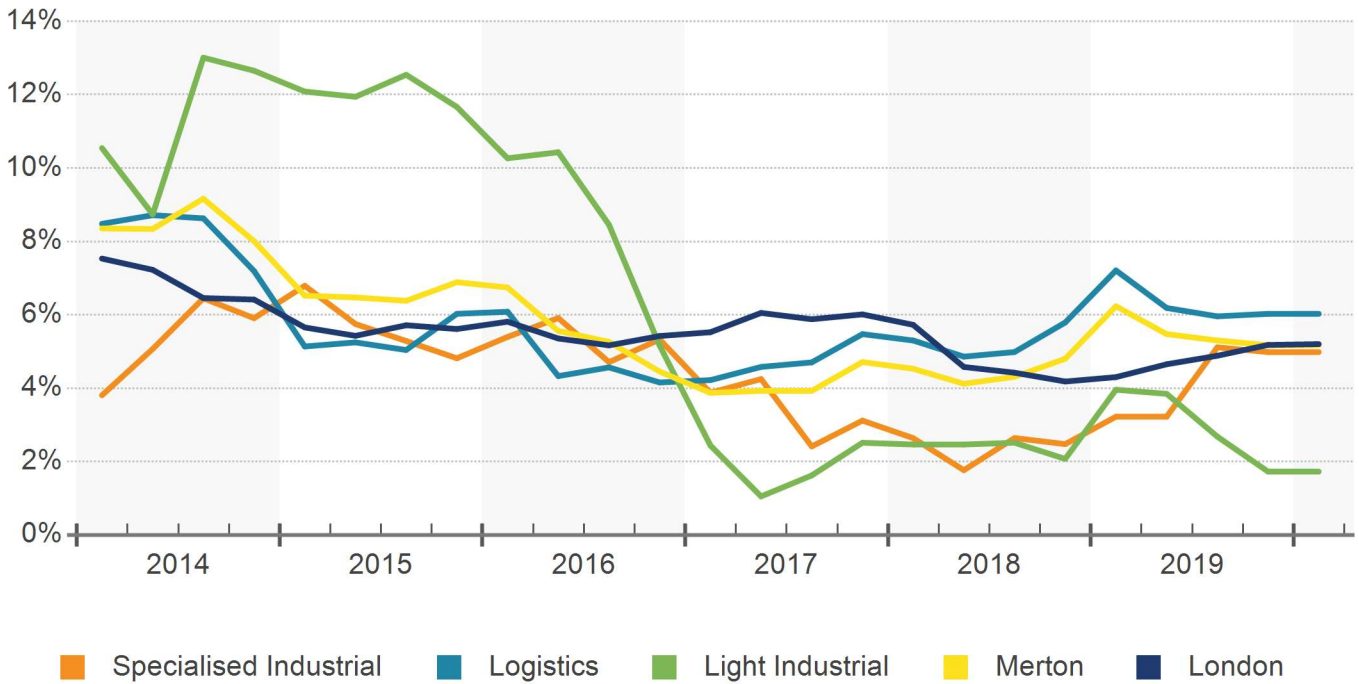




## VACANCY RATE



## AVAILABILITY RATE



### 3 STAR MOST ACTIVE BUILDINGS IN SUBMARKET - PAST 12 MONTHS

| Property Name/Address  | Rating    | GIA    | Deals | Leased SF | 12 Mo Vacancy | 12 Mo Net Absorp SF |
|--|-----------|--------|-------|-----------|---------------|---------------------|
| <b>Units 10-14</b><br>Nelson Trading Estate                        | ★ ★ ★ ★ ★ | 54,827 | 1     | 17,439    | 0%            | 13,370              |
| <b>Units 2-9a</b><br>Nelson Industrial Estate                      | ★ ★ ★ ★ ★ | 51,594 | 1     | 6,680     | 7.8%          | 6,680               |
| <b>Unit 17</b><br>Rufus Business Centre                            | ★ ★ ★ ★ ★ | 6,122  | 1     | 6,122     | 60.0%         | 6,122               |
| <b>Unit 1-28</b><br>Riverside Business Park                        | ★ ★ ★ ★ ★ | 71,149 | 1     | 4,347     | 0%            | 3,333               |
| <b>John Wycliffe House</b><br>29 Deer Park Rd                      | ★ ★ ★ ★ ★ | 11,175 | 1     | 11,175    | 80.0%         | 2,608               |
| <b>The Willow Centre</b><br>Units 6 & 7 Willow Ln                  | ★ ★ ★ ★ ★ | 41,135 | 1     | 41,135    | 40.0%         | 843                 |
| <b>Zeal House</b><br>8 Deer Park Rd                                | ★ ★ ★ ★ ★ | 62,242 | 1     | 790       | 0.3%          | 184                 |
| <b>Units 25-26</b><br>Boundary Business Court                      | ★ ★ ★ ★ ★ | 13,776 | 1     | 13,776    | 0%            | 0                   |
| <b>Units 1-3</b><br>Puma Trade Park                                | ★ ★ ★ ★ ★ | 10,972 | 2     | 3,748     | 0%            | 0                   |
| <b>Units 9-16</b><br>Mitcham Industrial Estate                     | ★ ★ ★ ★ ★ | 84,715 | 1     | 10,336    | 0%            | 0                   |
| <b>Unit 1-5</b><br>Tramlink Park                                   | ★ ★ ★ ★ ★ | 43,651 | 1     | 8,735     | 0%            | 0                   |
| <b>Units 1-15 - Windsor Park</b><br>Windsor Park Industrial Estate | ★ ★ ★ ★ ★ | 29,833 | 1     | 2,090     | 5.6%          | (2,094)             |

The industrial sector as a whole has seen rapid growth this cycle, and the Merton industrial submarket is no different. It has mirrored the wider London market trend, with rents expanding in double digits in 2016-17, before moderating the years since.

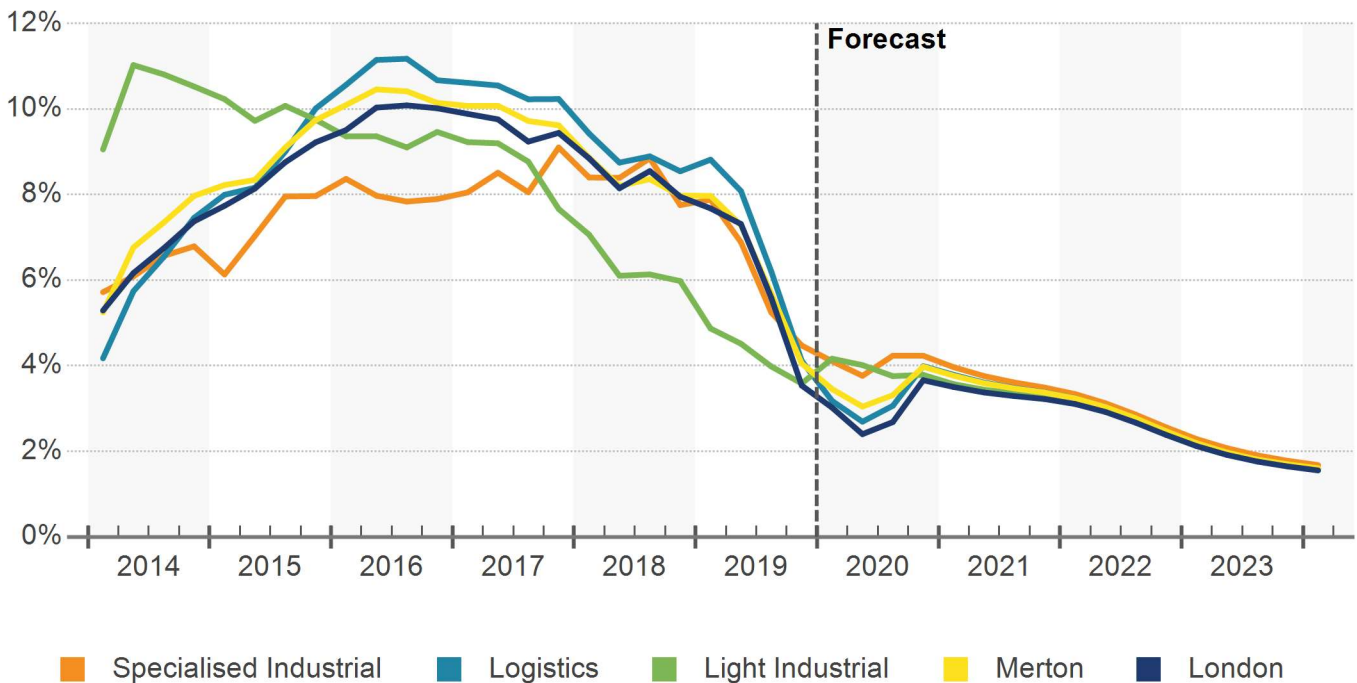
As it has been across many submarkets, logistics space has driven submarket growth this cycle, with almost three-quarters of the submarket's inventory falling into this segment. Subsequently, it follows logistics movement closely. In terms of growth, the subsector has performed well, with rents peaking north of 11% in 2016. And while it has decelerated in line with market trends, growth remains healthy. The other subsectors have fallen away more rapidly in recent quarters, with light industrial falling to an eight-year low and specialised industrial a near five-year low in 19Q4 (though both remain positive).

Rental rates, buoyed by this rapid expansion, are at all-time highs in the submarket, currently at £13.50/SF.

This level represents a cumulative increase of more than 50% over the past five years, but despite this, the submarket remains among the most affordable in the capital. Rents here offer a discount to neighbouring submarkets of Wandsworth, Lambeth, Sutton and Richmond & Kingston upon Thames, though it does let at a marginal premium on Croydon Submarket.

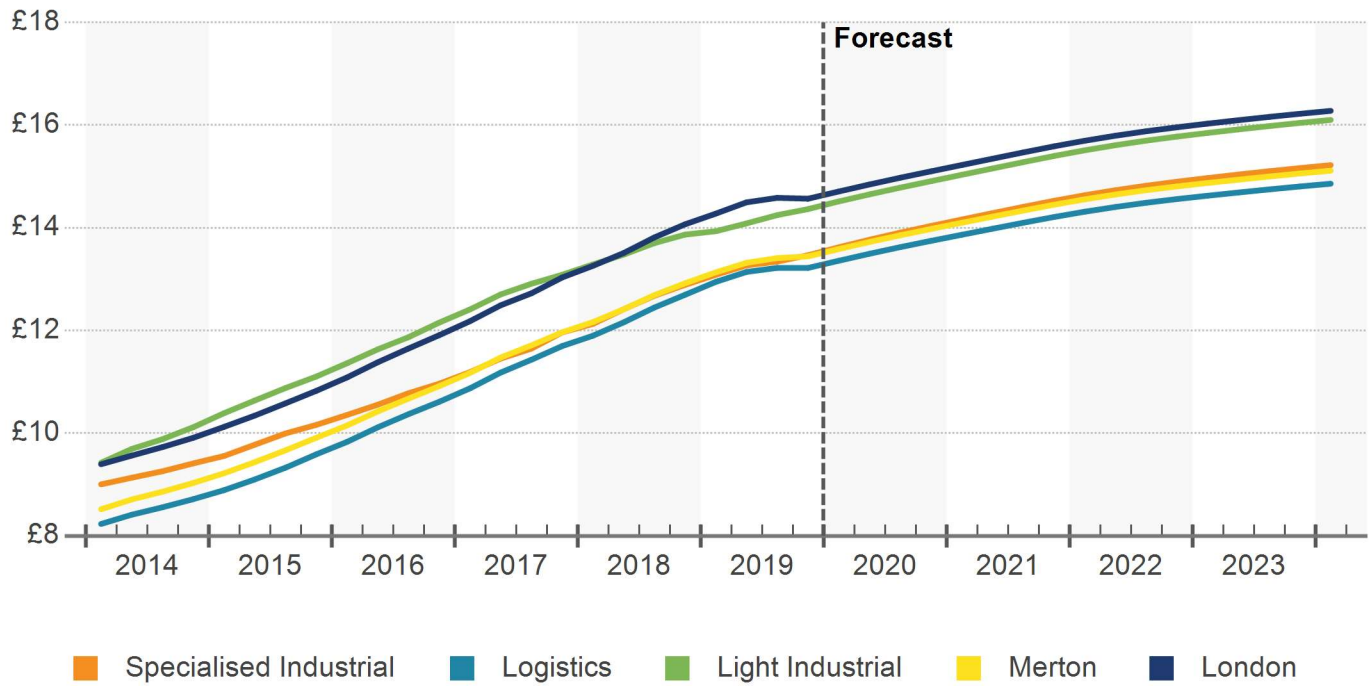
Rents for new or even older refurbished spaces have performed particularly well of late. The limited supply has enabled the Boundary Business Park (refurbished in 2014), to secure a flurry of new tenants at the top end of the rental range. These include, First Call Glazing, Henderson Fellows and Create Cocktails, all taking space this year with quoting rents around £14.50/SF. One prominent increase was a number of units at the Merton Industrial Park, which increased from £16/SF to more than £18/SF in late 19Q1. These increases reflect increasing landlord confidence amid positive supply/demand dynamics for good stock in the area.

## MARKET RENT GROWTH (YOY)





## MARKET RENT PER SQUARE FOOT



Merton contains less than 6 million SF of industrial stock, the majority of which is categorised as logistics space. The submarket's largest units are clustered in parks in Summertown, South Wimbledon and near Mitcham Junction. Notable occupiers include Sita UK, Elbrook (Cash & Carry), Homebase and Amazon.

Despite robust occupier demand and improving fundamentals in the submarket, new supply additions have been infrequent in the submarket over the past decade. Inventory has actually fallen in the five years prior to 2019, with a number of large demolitions and conversion to alternative use removing stock.

This changed earlier this year, however, with the submarket's largest new delivery in more than a decade. The 30,800-SF property, 19 Lombard Road, located in the Lombard Road Industrial Estate is currently available for lease at the top end of the market at circa £17.50/SF.

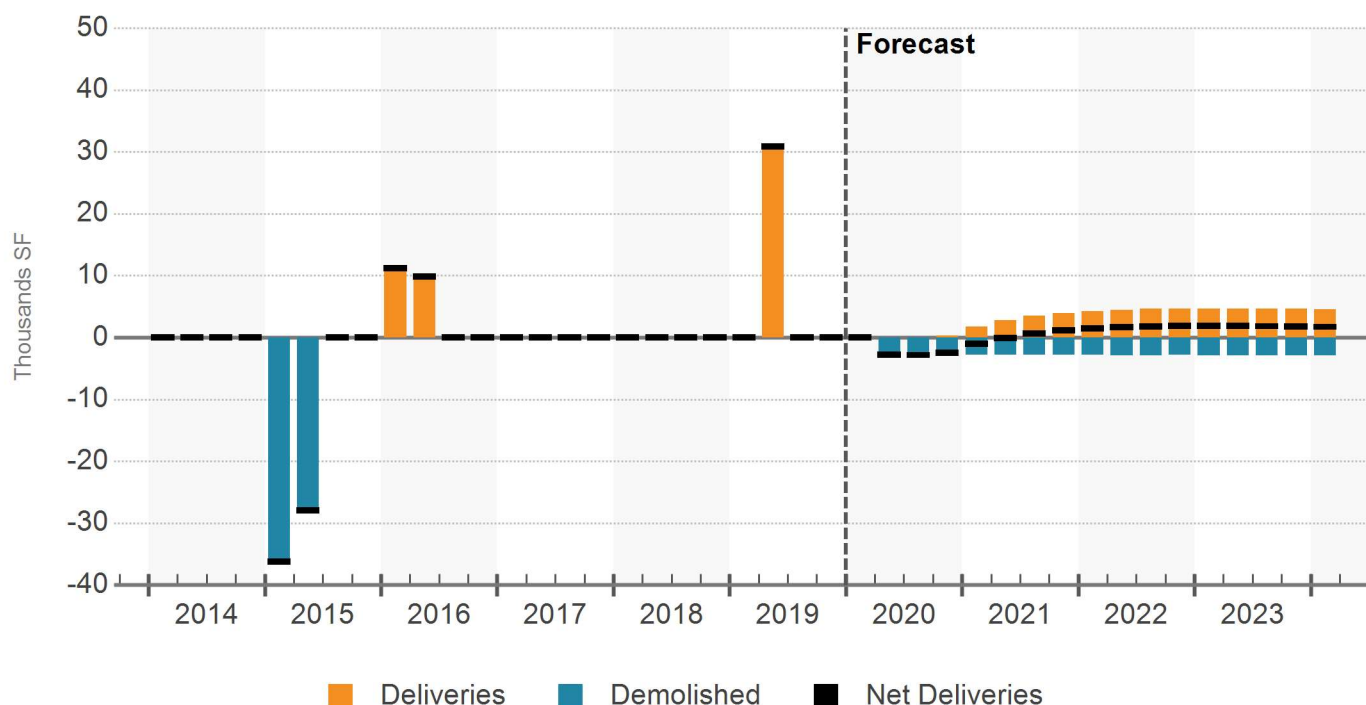
Prior this, the last new additions came following the demolition of 5-7 Lombard Road (totalling 28,000 SF)

and 29 Deer Park Road (36,200 SF) in 2015. The former was developed into 9,700 SF in 2016, and the latter, making way for John Wycliffe House (22,500 SF), delivered in 15Q3. It is currently around 50% let to Burke & Wills Removals.

Refurbishments have also been scarce in recent years, with the last notable works completing in 2014. The most notable of these were at the Macham Industrial Estate, with around 67,700 SF (built in 1974), and the Boundary Business Court, with 37,700 SF, completing extensive refurbishments that year. The latter has since seen a flurry of occupier activity at top-end rents.

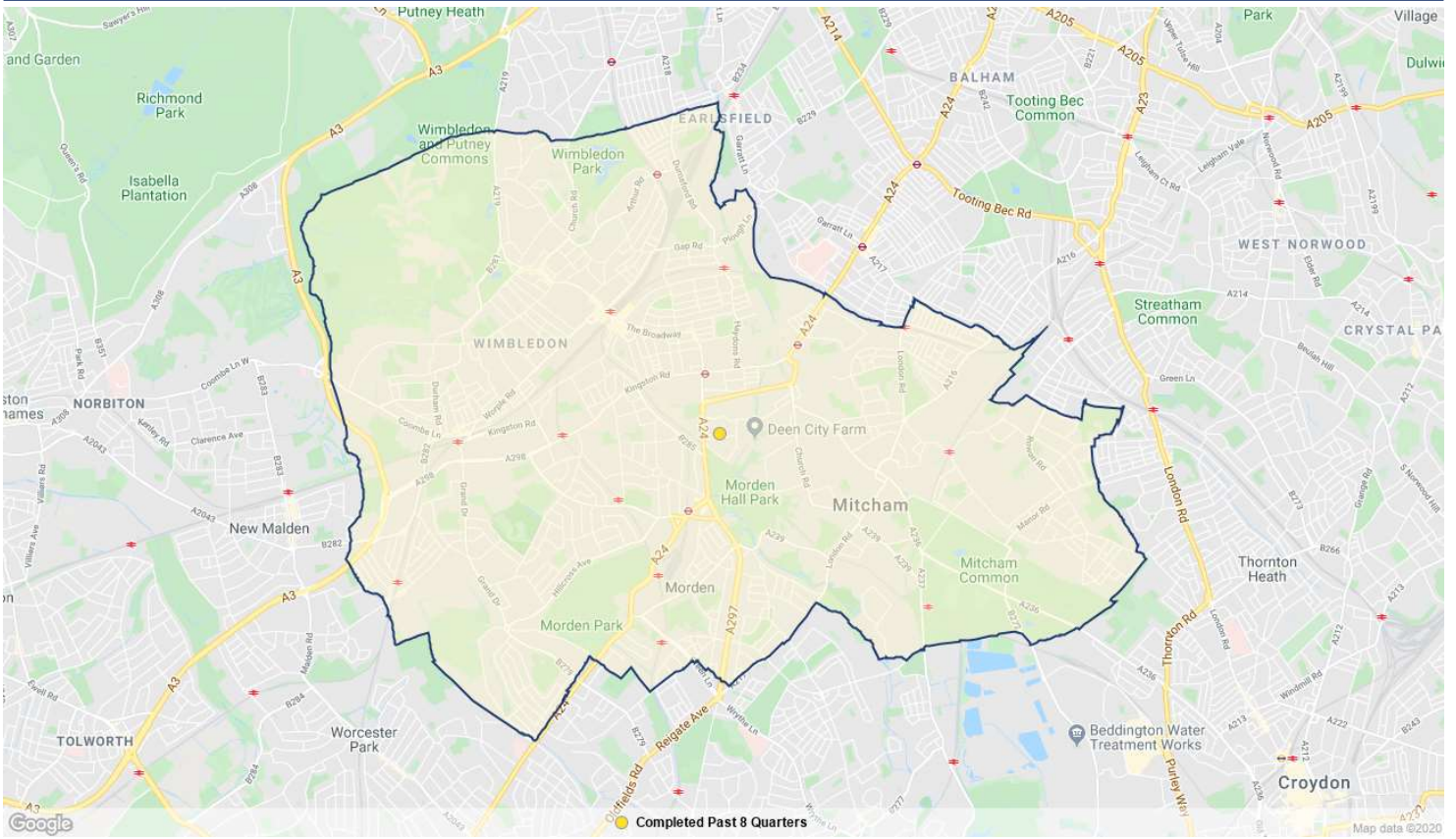
This lack of development seems likely to continue at least into the near future, with no new developments currently underway. There are also no major schemes in the proposal pipeline. This means that vacancies are unlikely to feel any upward pressure from new deliveries in the near term and could prolong robust rental growth for the near future.

### DELIVERIES & DEMOLITIONS

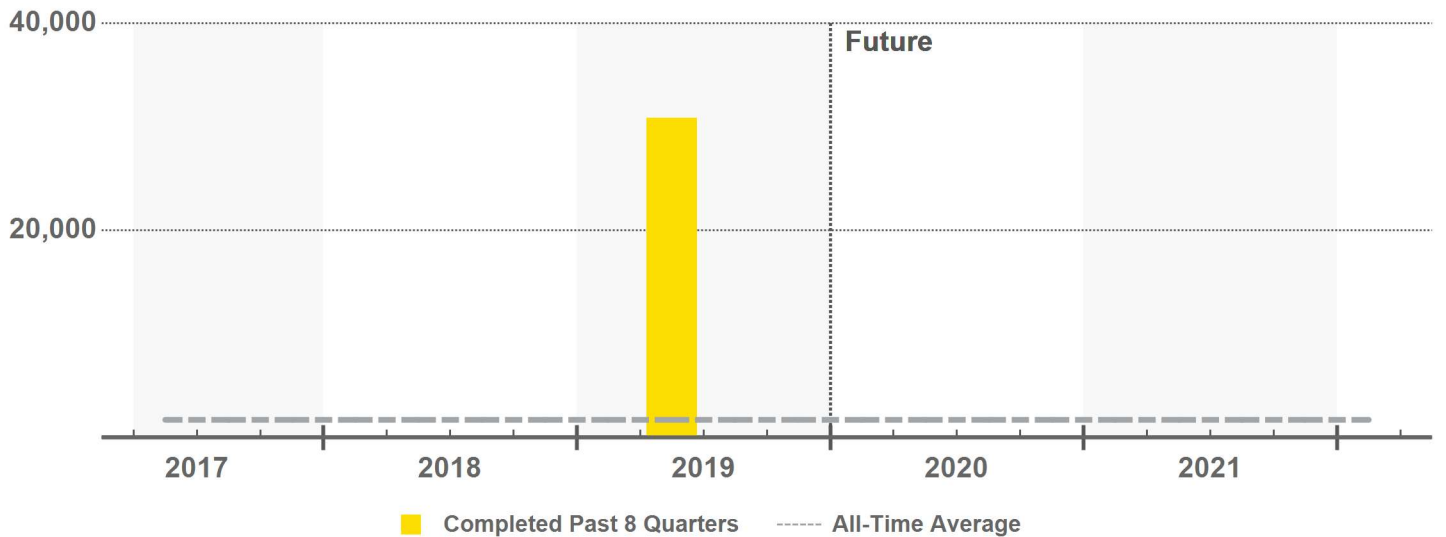


| All-Time Annual Avg. SF | Delivered SF Past 8 Qtrs | Delivered SF Next 8 Qtrs | Proposed SF Next 8 Qtrs |
|-------------------------|--------------------------|--------------------------|-------------------------|
| 6,900                   | 30,836                   | 0                        | 0                       |

### PAST 8 QUARTERS DELIVERIES, UNDER CONSTRUCTION, & PROPOSED



### PAST & FUTURE DELIVERIES IN SQUARE FEET



## RECENT DELIVERIES

| Property Name/Address           | Rating    | Bldg SF | Floors | Start    | Complete | Developer/Owner                |
|---------------------------------|-----------|---------|--------|----------|----------|--------------------------------|
| 1 <a href="#">19 Lombard Rd</a> | ★ ★ ★ ★ ★ | 30,836  | 3      | Dec-2018 | Apr-2019 | -<br>Pineapple Corporation plc |

Investment activity in Merton's industrial submarket has been strong in recent years. Since 2017, around £50 million has traded each year, including 2019 to date. These volumes represent levels more than double the submarket's historical average, with deal frequency also ramping up—reaching a cyclical high last year.

Volumes for 2019 have been underpinned by a handful of standout transactions. The most notable of these was the repeat sale of Units 4-6 at Wyvern Industrial Estate. The 50,700-SF space initially traded in January 2019 alongside neighbouring units 1-3 (44,500 SF) to Big Yellow Self Storage (who occupy the latter). This accounted for around £10.8 million of the total of £28 million, with a keen net initial yield of 3.5%, paid to Imperial Tobacco Pension Fund. The units were then sold again in late May 2019 to Threadneedle Asset Management for £11.8 million, reflecting a net initial yield of 4.8% and a premium of almost 10%.

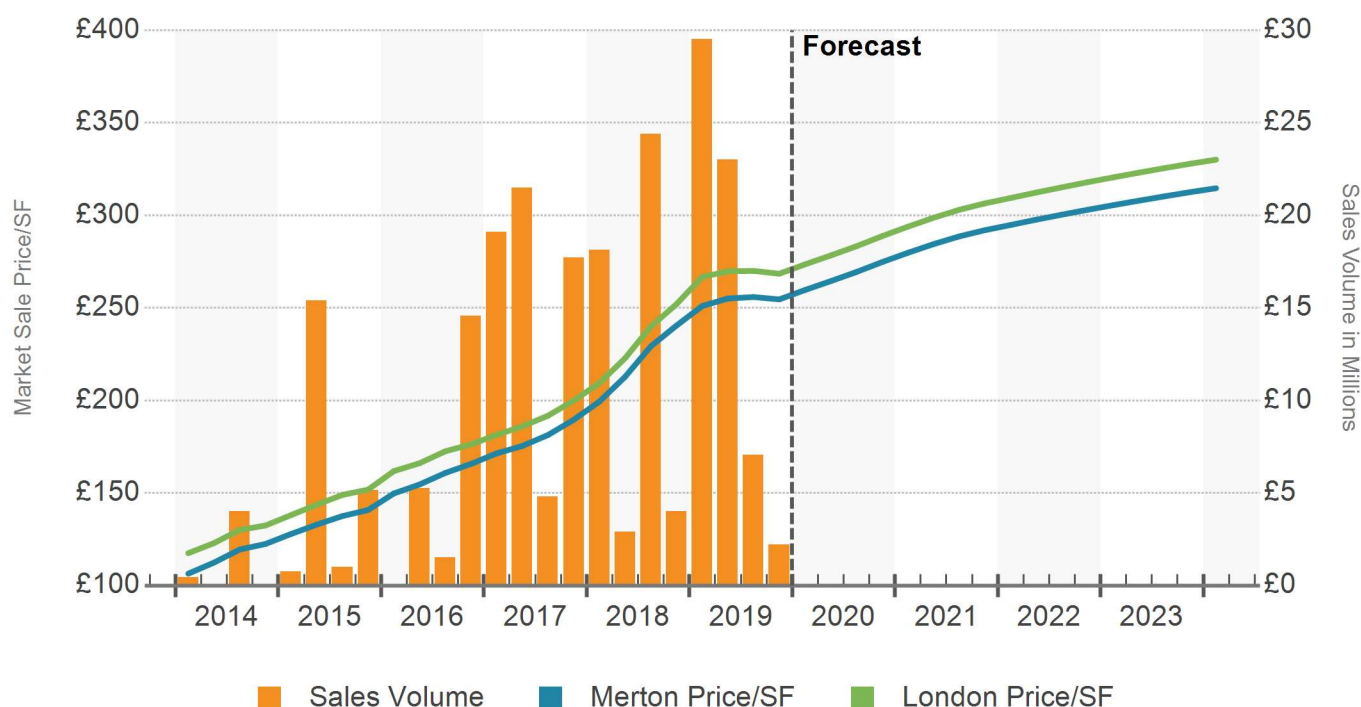
Other notable trades this year include 3-9 Willow Lane in Mitcham, which sold to Hegarty International for £7.8

million (yield 5.3%) in January, and the Astranta Business Centre on Ravensbury Terrace, which sold to Dominus for £8.8 million in February. These sales helped 19Q1 become the single strongest quarter this cycle.

As noted, investment last year also experienced robust investment. Volume was bolstered significantly with the acquisition of Haslemere Industrial Estate. Dominus Advisory Services purchased the 1.83-acre site from Savills Investment management and First Base for £19.3 million in September 2018, with the view of redeveloping the site into 129 residential units.

Another notable trade was Capital Industrial's purchased of the Connaught Business Park on Willow Lane in Mitcham in September 2018. They paid Warehouse REIT £3.9 million for the 10,700-SF property, reflecting a net initial yield of 4%. It is understood that the motivation behind the sale is part of Warehouse REIT's strategy to dispose of mature, low-yielding assets and redeploy capital into opportunities that will generate longer-term income.

### SALES VOLUME & MARKET SALE PRICE PER SF





# Sales Past 12 Months

Merton Industrial

Sale Comparables

Avg. Yield

Avg. Price/SF

Avg. Vacancy At Sale

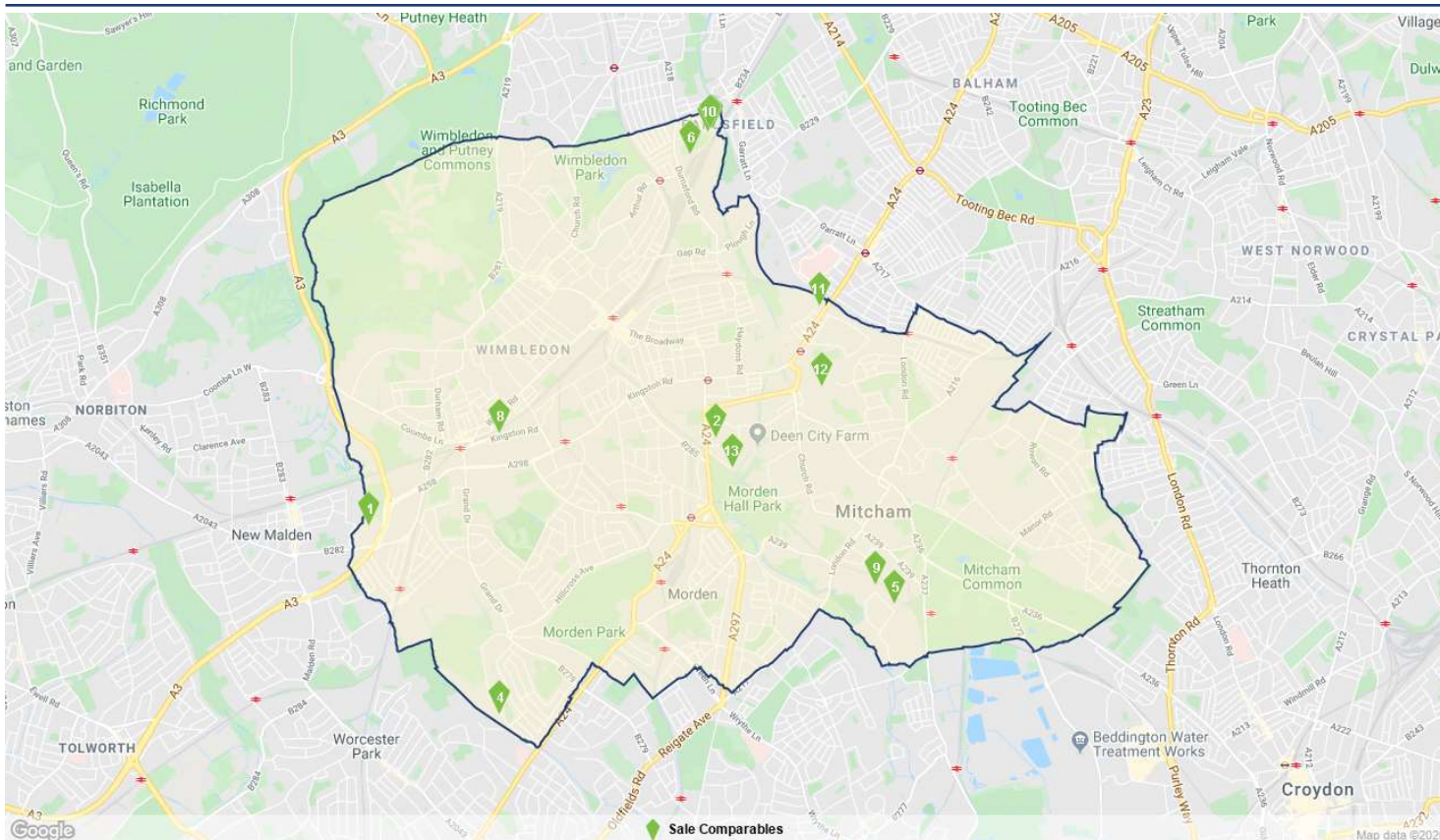
14

5.1%

£236

18.1%

## SALE COMPARABLE LOCATIONS



## SALE COMPARABLES SUMMARY STATISTICS

| Sales Attributes          | Low      | Average    | Median     | High        |
|---------------------------|----------|------------|------------|-------------|
| Sale Price                | £850,000 | £3,548,715 | £1,900,000 | £11,800,000 |
| Price Per SF              | £148     | £236       | £233       | £364        |
| Net Initial Yield         | 4.2%     | 5.1%       | 4.7%       | 7.2%        |
| Time Since Sale in Months | 2.7      | 8.5        | 8.7        | 11.7        |
| Property Attributes       | Low      | Average    | Median     | High        |
| Building SF               | 4,032    | 14,764     | 8,564      | 50,699      |
| Eaves Height              | 11'      | 23'7"      | 27'5"      | 34'         |
| Docks                     | 0        | 0          | 0          | 1           |
| Vacancy Rate At Sale      | 0%       | 18.1%      | 0%         | 100%        |
| Year Built                | 1950     | 1984       | 1984       | 2016        |
| Star Rating               | ★☆☆☆☆    | ★★★☆☆ 2.2  | ★★★☆☆      | ★★★★☆       |

# Sales Past 12 Months

Merton Industrial

## RECENT SIGNIFICANT SALES

| Property Name - Address                   | Property |          |         |         | Sale       |             |          |      |
|---|----------|----------|---------|---------|------------|-------------|----------|------|
|   | Rating   | Yr Built | Bldg SF | Vacancy | Sale Date  | Price       | Price/SF | NIY  |
| 1 Units 4 - 6<br>Beverley Way             | ★★★★☆    | 2002     | 50,699  | 0%      | 22/05/2019 | £11,800,000 | £233     | 4.2% |
| 2 13-15 Lombard Rd                        | ★★★★☆    | 2000     | 33,579  | 0%      | 30/04/2019 | £7,800,000  | £232     | -    |
| 3 Ravensbury Ter                          | ★★★★☆    | 1993     | 15,961  | 0%      | 01/02/2019 | £5,096,215  | £319     | 4.7% |
| 4 141 Garth Rd                            | ★★★☆☆    | 1975     | 22,909  | 100%    | 06/09/2019 | £3,400,000  | £148     | 7.2% |
| 5 14 Wandle Way                           | ★★★★☆    | 2000     | 11,909  | 0%      | 01/11/2019 | £2,200,000  | £185     | -    |
| 6 Gresham Way                             | ★★★★☆    | 1994     | 5,500   | 0%      | 09/04/2019 | £2,000,000  | £364     | -    |
| 7 22 Ravensbury Ter                       | ★★★★☆    | 2005     | 6,122   | 100%    | 01/02/2019 | £1,968,621  | £322     | 4.7% |
| 8 591-593 Kingston Rd                     | ★★★☆☆    | 1970     | 5,930   | 0%      | 03/09/2019 | £1,900,000  | £320     | -    |
| 9 5 Wandle Way                            | ★★★☆☆    | 1978     | 11,006  | 0%      | 10/07/2019 | £1,744,200  | £158     | -    |
| 10 22 Ravensbury Ter                      | ★★★★☆    | 1989     | 4,974   | 0%      | 01/02/2019 | £1,735,164  | £349     | 4.7% |
| 11 Waterfall Gdns                         | ★★★★☆    | 1961     | 4,850   | 0%      | 02/05/2019 | £1,391,667  | £287     | -    |
| 8 591-593 Kingston Rd                     | ★★★☆☆    | 1970     | 5,930   | 0%      | 31/01/2019 | £1,350,000  | £228     | -    |
| 12 Prince Georges Rd                      | ★★★★☆    | 1950     | 4,032   | 0%      | 19/02/2019 | £850,000    | £211     | -    |
| 13 John Wycliffe House<br>29 Deer Park Rd | ★★★★☆    | 2016     | 11,175  | 100%    | 03/06/2019 | -           | -        | -    |



## OVERALL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2024 | 5,639,063 | 6,596     | 0.1%     | (10,120)       | -0.2%    | -                  |
| 2023 | 5,632,467 | 7,248     | 0.1%     | (7,746)        | -0.1%    | -                  |
| 2022 | 5,625,219 | 6,655     | 0.1%     | (4,218)        | -0.1%    | -                  |
| 2021 | 5,618,564 | 608       | 0%       | (4,805)        | -0.1%    | -                  |
| 2020 | 5,617,956 | (8,092)   | -0.1%    | (17,529)       | -0.3%    | -                  |
| YTD  | 5,626,048 | 0         | 0%       | 11,175         | 0.2%     | 0                  |
| 2019 | 5,626,048 | 30,836    | 0.6%     | 50,806         | 0.9%     | 0.6                |
| 2018 | 5,595,212 | 0         | 0%       | 3,430          | 0.1%     | 0                  |
| 2017 | 5,595,212 | 0         | 0%       | 42,248         | 0.8%     | 0                  |
| 2016 | 5,595,212 | 20,971    | 0.4%     | 97,530         | 1.7%     | 0.2                |
| 2015 | 5,574,241 | (64,186)  | -1.1%    | 7,069          | 0.1%     | -                  |
| 2014 | 5,638,427 | 0         | 0%       | (14,264)       | -0.3%    | -                  |
| 2013 | 5,638,427 | 0         | 0%       | 110,302        | 2.0%     | 0                  |
| 2012 | 5,638,427 | 0         | 0%       | 101,565        | 1.8%     | 0                  |
| 2011 | 5,638,427 | 10,000    | 0.2%     | (194,979)      | -3.5%    | -                  |
| 2010 | 5,628,427 | 0         | 0%       | (82,252)       | -1.5%    | -                  |
| 2009 | 5,628,427 | -         | -        | (23,160)       | -0.4%    | -                  |

## SPECIALISED INDUSTRIAL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2024 | 578,406   | 0         | 0%       | (1,299)        | -0.2%    | -                  |
| 2023 | 578,406   | 0         | 0%       | (1,046)        | -0.2%    | -                  |
| 2022 | 578,406   | 0         | 0%       | (391)          | -0.1%    | -                  |
| 2021 | 578,406   | 0         | 0%       | 387            | 0.1%     | 0                  |
| 2020 | 578,406   | 0         | 0%       | (1,641)        | -0.3%    | -                  |
| YTD  | 578,406   | 0         | 0%       | -              | -        | -                  |
| 2019 | 578,406   | 0         | 0%       | (5,127)        | -0.9%    | -                  |
| 2018 | 578,406   | 0         | 0%       | (8,261)        | -1.4%    | -                  |
| 2017 | 578,406   | 0         | 0%       | 16,464         | 2.8%     | 0                  |
| 2016 | 578,406   | 0         | 0%       | (3,453)        | -0.6%    | -                  |
| 2015 | 578,406   | (7,847)   | -1.3%    | (2,585)        | -0.4%    | -                  |
| 2014 | 586,253   | 0         | 0%       | (19,279)       | -3.3%    | -                  |
| 2013 | 586,253   | 0         | 0%       | 19,349         | 3.3%     | 0                  |
| 2012 | 586,253   | 0         | 0%       | 12,675         | 2.2%     | 0                  |
| 2011 | 586,253   | 0         | 0%       | (23,911)       | -4.1%    | -                  |
| 2010 | 586,253   | 0         | 0%       | 8,397          | 1.4%     | 0                  |
| 2009 | 586,253   | -         | -        | 5,313          | 0.9%     | -                  |

## LOGISTICS SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2024 | 4,081,411 | 6,596     | 0.2%     | (4,604)        | -0.1%    | -                  |
| 2023 | 4,074,815 | 7,248     | 0.2%     | (2,898)        | -0.1%    | -                  |
| 2022 | 4,067,567 | 6,655     | 0.2%     | (1,142)        | 0%       | -                  |
| 2021 | 4,060,912 | 608       | 0%       | (3,827)        | -0.1%    | -                  |
| 2020 | 4,060,304 | (8,092)   | -0.2%    | (11,073)       | -0.3%    | -                  |
| YTD  | 4,068,396 | 0         | 0%       | 11,175         | 0.3%     | 0                  |
| 2019 | 4,068,396 | 30,836    | 0.8%     | 49,811         | 1.2%     | 0.6                |
| 2018 | 4,037,560 | 0         | 0%       | 15,729         | 0.4%     | 0                  |
| 2017 | 4,037,560 | 0         | 0%       | (18,037)       | -0.4%    | -                  |
| 2016 | 4,037,560 | 20,971    | 0.5%     | 107,640        | 2.7%     | 0.2                |
| 2015 | 4,016,589 | (56,339)  | -1.4%    | 15,754         | 0.4%     | -                  |
| 2014 | 4,072,928 | 0         | 0%       | 1,619          | 0%       | 0                  |
| 2013 | 4,072,928 | 0         | 0%       | 81,044         | 2.0%     | 0                  |
| 2012 | 4,072,928 | 0         | 0%       | 111,923        | 2.7%     | 0                  |
| 2011 | 4,072,928 | 10,000    | 0.2%     | (173,783)      | -4.3%    | -                  |
| 2010 | 4,062,928 | 0         | 0%       | (82,104)       | -2.0%    | -                  |
| 2009 | 4,062,928 | -         | -        | (42,084)       | -1.0%    | -                  |

## LIGHT INDUSTRIAL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2024 | 979,246   | 0         | 0%       | (4,217)        | -0.4%    | -                  |
| 2023 | 979,246   | 0         | 0%       | (3,802)        | -0.4%    | -                  |
| 2022 | 979,246   | 0         | 0%       | (2,685)        | -0.3%    | -                  |
| 2021 | 979,246   | 0         | 0%       | (1,365)        | -0.1%    | -                  |
| 2020 | 979,246   | 0         | 0%       | (4,815)        | -0.5%    | -                  |
| YTD  | 979,246   | 0         | 0%       | -              | -        | -                  |
| 2019 | 979,246   | 0         | 0%       | 6,122          | 0.6%     | 0                  |
| 2018 | 979,246   | 0         | 0%       | (4,038)        | -0.4%    | -                  |
| 2017 | 979,246   | 0         | 0%       | 43,821         | 4.5%     | 0                  |
| 2016 | 979,246   | 0         | 0%       | (6,657)        | -0.7%    | -                  |
| 2015 | 979,246   | 0         | 0%       | (6,100)        | -0.6%    | -                  |
| 2014 | 979,246   | 0         | 0%       | 3,396          | 0.3%     | 0                  |
| 2013 | 979,246   | 0         | 0%       | 9,909          | 1.0%     | 0                  |
| 2012 | 979,246   | 0         | 0%       | (23,033)       | -2.4%    | -                  |
| 2011 | 979,246   | 0         | 0%       | 2,715          | 0.3%     | 0                  |
| 2010 | 979,246   | 0         | 0%       | (8,545)        | -0.9%    | -                  |
| 2009 | 979,246   | -         | -        | 13,611         | 1.4%     | -                  |

### OVERALL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2024 | £15.26      | 1.3%     | 13.5%        | 156,299 | 2.8%    | 0.3%     |
| 2023 | £15.06      | 1.7%     | 12.0%        | 139,256 | 2.5%    | 0.3%     |
| 2022 | £14.80      | 2.5%     | 10.1%        | 123,959 | 2.2%    | 0.2%     |
| 2021 | £14.45      | 3.4%     | 7.5%         | 112,790 | 2.0%    | 0.1%     |
| 2020 | £13.98      | 4.0%     | 4.0%         | 107,107 | 1.9%    | 0.2%     |
| YTD  | £13.45      | 0.1%     | 0.1%         | 86,388  | 1.5%    | -0.2%    |
| 2019 | £13.44      | 4.1%     | 0%           | 97,563  | 1.7%    | -0.4%    |
| 2018 | £12.92      | 8.0%     | -3.9%        | 117,533 | 2.1%    | -0.1%    |
| 2017 | £11.97      | 9.6%     | -11.0%       | 120,963 | 2.2%    | -0.8%    |
| 2016 | £10.92      | 10.1%    | -18.8%       | 163,211 | 2.9%    | -1.4%    |
| 2015 | £9.91       | 9.7%     | -26.3%       | 239,770 | 4.3%    | -1.2%    |
| 2014 | £9.03       | 8.0%     | -32.8%       | 311,025 | 5.5%    | 0.3%     |
| 2013 | £8.36       | 4.4%     | -37.8%       | 296,761 | 5.3%    | -2.0%    |
| 2012 | £8.01       | 2.9%     | -40.4%       | 407,063 | 7.2%    | -1.8%    |
| 2011 | £7.78       | 1.4%     | -42.1%       | 508,628 | 9.0%    | 3.6%     |
| 2010 | £7.68       | -0.1%    | -42.9%       | 303,649 | 5.4%    | 1.5%     |
| 2009 | £7.69       | -        | -42.8%       | 221,397 | 3.9%    | -        |

### SPECIALISED INDUSTRIAL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2024 | £15.37      | 1.4%     | 14.2%        | 20,139  | 3.5%    | 0.2%     |
| 2023 | £15.16      | 1.8%     | 12.6%        | 18,840  | 3.3%    | 0.2%     |
| 2022 | £14.90      | 2.6%     | 10.6%        | 17,794  | 3.1%    | 0.1%     |
| 2021 | £14.52      | 3.5%     | 7.9%         | 17,403  | 3.0%    | -0.1%    |
| 2020 | £14.03      | 4.2%     | 4.2%         | 17,790  | 3.1%    | 0.3%     |
| YTD  | £13.48      | 0.1%     | 0.1%         | 16,149  | 2.8%    | 0%       |
| 2019 | £13.47      | 4.5%     | 0%           | 16,149  | 2.8%    | 0.9%     |
| 2018 | £12.89      | 7.8%     | -4.3%        | 11,022  | 1.9%    | 1.4%     |
| 2017 | £11.96      | 9.1%     | -11.2%       | 2,761   | 0.5%    | -2.8%    |
| 2016 | £10.96      | 7.9%     | -18.6%       | 19,225  | 3.3%    | 0.6%     |
| 2015 | £10.16      | 8.0%     | -24.5%       | 15,772  | 2.7%    | -0.9%    |
| 2014 | £9.41       | 6.8%     | -30.1%       | 21,034  | 3.6%    | 3.3%     |
| 2013 | £8.81       | 3.9%     | -34.5%       | 1,755   | 0.3%    | -3.3%    |
| 2012 | £8.49       | 1.9%     | -37.0%       | 21,104  | 3.6%    | -2.2%    |
| 2011 | £8.33       | -0.1%    | -38.1%       | 33,779  | 5.8%    | 4.1%     |
| 2010 | £8.34       | -1.5%    | -38.0%       | 9,868   | 1.7%    | -1.4%    |
| 2009 | £8.47       | -        | -37.1%       | 18,265  | 3.1%    | -        |

### LOGISTICS RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2024 | £15.00      | 1.3%     | 13.5%        | 119,276 | 2.9%    | 0.3%     |
| 2023 | £14.80      | 1.7%     | 12.0%        | 107,749 | 2.6%    | 0.3%     |
| 2022 | £14.56      | 2.5%     | 10.1%        | 97,300  | 2.4%    | 0.2%     |
| 2021 | £14.21      | 3.4%     | 7.5%         | 89,207  | 2.2%    | 0.1%     |
| 2020 | £13.74      | 4.0%     | 4.0%         | 84,502  | 2.1%    | 0.1%     |
| YTD  | £13.22      | 0.1%     | 0.1%         | 70,239  | 1.7%    | -0.3%    |
| 2019 | £13.22      | 4.1%     | 0%           | 81,414  | 2.0%    | -0.5%    |
| 2018 | £12.70      | 8.5%     | -4.0%        | 100,389 | 2.5%    | -0.4%    |
| 2017 | £11.70      | 10.2%    | -11.5%       | 116,118 | 2.9%    | 0.4%     |
| 2016 | £10.61      | 10.7%    | -19.7%       | 98,081  | 2.4%    | -2.2%    |
| 2015 | £9.59       | 10.0%    | -27.5%       | 184,750 | 4.6%    | -1.7%    |
| 2014 | £8.72       | 7.5%     | -34.1%       | 256,843 | 6.3%    | 0%       |
| 2013 | £8.11       | 3.7%     | -38.6%       | 258,462 | 6.3%    | -2.0%    |
| 2012 | £7.82       | 2.7%     | -40.8%       | 339,506 | 8.3%    | -2.7%    |
| 2011 | £7.62       | 1.1%     | -42.4%       | 451,429 | 11.1%   | 4.5%     |
| 2010 | £7.53       | -0.2%    | -43.0%       | 267,646 | 6.6%    | 2.0%     |
| 2009 | £7.54       | -        | -42.9%       | 185,542 | 4.6%    | -        |

### LIGHT INDUSTRIAL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2024 | £16.25      | 1.3%     | 13.2%        | 16,884  | 1.7%    | 0.4%     |
| 2023 | £16.04      | 1.7%     | 11.7%        | 12,667  | 1.3%    | 0.4%     |
| 2022 | £15.77      | 2.4%     | 9.8%         | 8,865   | 0.9%    | 0.3%     |
| 2021 | £15.40      | 3.3%     | 7.2%         | 6,180   | 0.6%    | 0.1%     |
| 2020 | £14.91      | 3.8%     | 3.8%         | 4,815   | 0.5%    | 0.5%     |
| YTD  | £14.38      | 0.1%     | 0.1%         | 0       | 0%      | 0%       |
| 2019 | £14.36      | 3.6%     | 0%           | 0       | 0%      | -0.6%    |
| 2018 | £13.87      | 6.0%     | -3.5%        | 6,122   | 0.6%    | 0.4%     |
| 2017 | £13.08      | 7.7%     | -8.9%        | 2,084   | 0.2%    | -4.5%    |
| 2016 | £12.15      | 9.5%     | -15.4%       | 45,905  | 4.7%    | 0.7%     |
| 2015 | £11.10      | 9.7%     | -22.7%       | 39,248  | 4.0%    | 0.6%     |
| 2014 | £10.12      | 10.5%    | -29.6%       | 33,148  | 3.4%    | -0.3%    |
| 2013 | £9.15       | 7.6%     | -36.3%       | 36,544  | 3.7%    | -1.0%    |
| 2012 | £8.51       | 4.3%     | -40.8%       | 46,453  | 4.7%    | 2.4%     |
| 2011 | £8.16       | 3.4%     | -43.2%       | 23,420  | 2.4%    | -0.3%    |
| 2010 | £7.89       | 0.9%     | -45.1%       | 26,135  | 2.7%    | 0.9%     |
| 2009 | £7.82       | -        | -45.6%       | 17,590  | 1.8%    | -        |

### OVERALL SALES

| Year | Completed Transactions (1) |         |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2024 | -                          | -       | -        | -           | -            | -         | £319.98                   | 384         | 4.3%  |
| 2023 | -                          | -       | -        | -           | -            | -         | £312.58                   | 375         | 4.3%  |
| 2022 | -                          | -       | -        | -           | -            | -         | £303.03                   | 363         | 4.2%  |
| 2021 | -                          | -       | -        | -           | -            | -         | £292.01                   | 350         | 4.2%  |
| 2020 | -                          | -       | -        | -           | -            | -         | £274.76                   | 329         | 4.2%  |
| YTD  | -                          | -       | -        | -           | -            | -         | £255.43                   | 306         | 4.2%  |
| 2019 | 16                         | £61.8 M | 5.5%     | £4,428,060  | £208.84      | 4.9%      | £254.62                   | 305         | 4.2%  |
| 2018 | 19                         | £49.4 M | 4.5%     | £2,971,871  | £205.99      | 4.4%      | £240.48                   | 288         | 4.1%  |
| 2017 | 19                         | £63.1 M | 7.5%     | £5,764,284  | £165.44      | 5.4%      | £189.60                   | 227         | 4.7%  |
| 2016 | 17                         | £21.3 M | 3.3%     | £2,817,500  | £123.73      | 4.9%      | £165.73                   | 199         | 4.9%  |
| 2015 | 13                         | £22.3 M | 3.4%     | £10,172,500 | £154.81      | 12.9%     | £140.87                   | 169         | 5.2%  |
| 2014 | 15                         | £4.4 M  | 2.3%     | £1,481,055  | £64.06       | 10.0%     | £122.48                   | 147         | 5.5%  |
| 2013 | 12                         | £10.5 M | 3.3%     | £2,094,900  | £170.18      | 7.6%      | £103.19                   | 124         | 6.4%  |
| 2012 | 4                          | £0.8 M  | 2.2%     | £387,500    | £7.21        | -         | £90.45                    | 108         | 6.9%  |
| 2011 | 5                          | £4.0 M  | 2.1%     | £1,327,068  | £50.59       | 5.4%      | £86.64                    | 104         | 7.1%  |
| 2010 | 9                          | £12.4 M | 5.1%     | £1,546,218  | £64.14       | 8.4%      | £78.91                    | 95          | 7.7%  |
| 2009 | 8                          | £2.7 M  | 2.4%     | £443,325    | £28.26       | -         | £83.42                    | 100         | 7.4%  |

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

### SPECIALISED INDUSTRIAL SALES

| Year | Completed Transactions (1) |         |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2024 | -                          | -       | -        | -           | -            | -         | £346.37                   | 393         | 4.2%  |
| 2023 | -                          | -       | -        | -           | -            | -         | £337.99                   | 383         | 4.1%  |
| 2022 | -                          | -       | -        | -           | -            | -         | £327.24                   | 371         | 4.1%  |
| 2021 | -                          | -       | -        | -           | -            | -         | £314.87                   | 357         | 4.0%  |
| 2020 | -                          | -       | -        | -           | -            | -         | £295.86                   | 335         | 4.0%  |
| YTD  | -                          | -       | -        | -           | -            | -         | £274.37                   | 311         | 4.0%  |
| 2019 | 2                          | £22.6 M | 17.5%    | £11,289,458 | £222.68      | 3.9%      | £273.50                   | 310         | 4.0%  |
| 2018 | 7                          | £9.4 M  | 7.4%     | £1,349,228  | £222.00      | 4.1%      | £258.63                   | 293         | 3.9%  |
| 2017 | 4                          | £5.2 M  | 3.2%     | £2,590,968  | £641.73      | 7.5%      | £203.27                   | 230         | 4.5%  |
| 2016 | -                          | -       | -        | -           | -            | -         | £177.61                   | 201         | 4.7%  |
| 2015 | 1                          | £0 M    | 0.6%     | -           | -            | -         | £148.92                   | 169         | 5.1%  |
| 2014 | 2                          | £0 M    | 0.2%     | -           | -            | -         | £128.54                   | 146         | 5.4%  |
| 2013 | 2                          | £1.0 M  | 1.1%     | £487,250    | £152.41      | -         | £104.48                   | 118         | 6.4%  |
| 2012 | -                          | -       | -        | -           | -            | -         | £93.17                    | 106         | 6.9%  |
| 2011 | -                          | -       | -        | -           | -            | -         | £89.34                    | 101         | 7.1%  |
| 2010 | 2                          | £0.9 M  | 3.2%     | £427,675    | £45.95       | -         | £83.39                    | 95          | 7.6%  |
| 2009 | 2                          | £0.5 M  | 2.6%     | £265,000    | £35.35       | -         | £88.21                    | 100         | 7.3%  |

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### LOGISTICS SALES

| Year | Completed Transactions (1) |         |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2024 | -                          | -       | -        | -           | -            | -         | £322.07                   | 383         | 4.3%  |
| 2023 | -                          | -       | -        | -           | -            | -         | £314.73                   | 375         | 4.2%  |
| 2022 | -                          | -       | -        | -           | -            | -         | £305.23                   | 363         | 4.2%  |
| 2021 | -                          | -       | -        | -           | -            | -         | £294.27                   | 350         | 4.1%  |
| 2020 | -                          | -       | -        | -           | -            | -         | £276.88                   | 330         | 4.1%  |
| YTD  | -                          | -       | -        | -           | -            | -         | £257.29                   | 306         | 4.1%  |
| 2019 | 7                          | £24.9 M | 3.9%     | £5,173,550  | £169.87      | 6.2%      | £256.47                   | 305         | 4.1%  |
| 2018 | 12                         | £40.0 M | 5.2%     | £4,233,927  | £202.54      | 5.0%      | £241.96                   | 288         | 4.0%  |
| 2017 | 12                         | £53.1 M | 8.5%     | £6,887,272  | £163.96      | 3.8%      | £190.60                   | 227         | 4.7%  |
| 2016 | 5                          | £12.3 M | 3.4%     | £3,066,250  | £92.65       | 4.9%      | £166.50                   | 198         | 4.8%  |
| 2015 | 7                          | £17.2 M | 3.0%     | £15,410,000 | £167.71      | -         | £141.90                   | 169         | 5.2%  |
| 2014 | 8                          | £0.8 M  | 1.3%     | £415,000    | £32.28       | 10.0%     | £123.41                   | 147         | 5.5%  |
| 2013 | 9                          | £9.5 M  | 4.1%     | £3,166,667  | £172.24      | 7.6%      | £104.00                   | 124         | 6.3%  |
| 2012 | 3                          | £0.8 M  | 2.8%     | £387,500    | £7.21        | -         | £91.38                    | 109         | 6.9%  |
| 2011 | 5                          | £4.0 M  | 2.8%     | £1,327,068  | £50.59       | 5.4%      | £87.53                    | 104         | 7.0%  |
| 2010 | 5                          | £9.1 M  | 5.3%     | £2,274,848  | £75.99       | 7.6%      | £79.55                    | 95          | 7.7%  |
| 2009 | 5                          | £2.1 M  | 2.2%     | £532,488    | £26.91       | -         | £83.99                    | 100         | 7.4%  |

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### LIGHT INDUSTRIAL SALES

| Year | Completed Transactions (1) |         |          |            |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price  | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2024 | -                          | -       | -        | -          | -            | -         | £295.70                   | 378         | 4.5%  |
| 2023 | -                          | -       | -        | -          | -            | -         | £288.62                   | 369         | 4.5%  |
| 2022 | -                          | -       | -        | -          | -            | -         | £279.57                   | 357         | 4.4%  |
| 2021 | -                          | -       | -        | -          | -            | -         | £269.13                   | 344         | 4.4%  |
| 2020 | -                          | -       | -        | -          | -            | -         | £253.49                   | 324         | 4.4%  |
| YTD  | -                          | -       | -        | -          | -            | -         | £236.55                   | 302         | 4.4%  |
| 2019 | 7                          | £14.3 M | 4.9%     | £2,041,667 | £299.00      | 4.7%      | £235.79                   | 301         | 4.4%  |
| 2018 | -                          | -       | -        | -          | -            | -         | £223.63                   | 286         | 4.3%  |
| 2017 | 3                          | £4.8 M  | 5.9%     | £4,250,000 | £97.16       | 5.2%      | £177.41                   | 227         | 5.0%  |
| 2016 | 12                         | £9.0 M  | 5.0%     | £2,320,000 | £227.42      | -         | £155.50                   | 199         | 5.2%  |
| 2015 | 5                          | £5.2 M  | 6.7%     | £4,935,000 | £123.27      | 12.9%     | £131.87                   | 169         | 5.6%  |
| 2014 | 5                          | £3.6 M  | 7.4%     | £3,613,164 | £82.77       | -         | £115.06                   | 147         | 5.7%  |
| 2013 | 1                          | £0 M    | 1.5%     | -          | -            | 7.6%      | £99.07                    | 127         | 6.5%  |
| 2012 | 1                          | £0 M    | 1.1%     | -          | -            | -         | £84.95                    | 109         | 7.2%  |
| 2011 | -                          | -       | -        | -          | -            | -         | £81.35                    | 104         | 7.4%  |
| 2010 | 2                          | £2.4 M  | 5.6%     | £1,207,500 | £44.32       | 10.0%     | £73.62                    | 94          | 8.1%  |
| 2009 | 1                          | £0 M    | 3.4%     | -          | -            | -         | £78.21                    | 100         | 7.8%  |

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(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.





# Industrial Submarket Report

## Merton

London

PREPARED BY



Brian Fraser  
Estates Surveyor





**INDUSTRIAL SUBMARKET REPORT**

|                          |    |
|--------------------------|----|
| Submarket Key Statistics | 1  |
| Leasing                  | 2  |
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12 Mo Deliveries in SF

**0**

12 Mo Net Absorption in SF

**(3.4K)**

Vacancy Rate

**1.7%**

12 Mo Rent Growth

**4.3%**

Fuelled by a combination of robust occupier demand and limited supply, the Merton industrial submarket has seen marked vacancy compression over the past decade. As a result, vacancies were lower than pre-financial crisis levels in early 2020, with positive net absorption outpacing scarce new supply additions. However, the onset of the coronavirus has largely disrupted these dynamics in the submarket, with vacancies rising into 2021.

Leasing activity has slowed over the past year, with only a few notable deals taking place since mitigation measures initially came into effect last spring. However, despite this slowdown, the submarket's fundamentals remain tight, with current vacancies still well below both historical averages for the submarket and the wider London average. These tight conditions could also help support rental values in the submarket. While growth is

predicted to continue moderating this year, it is expected to remain positive before picking up in the medium term.

There have been several new deliveries in the submarket over the past year or two. Developed speculatively, these projects are likely to remain available in the near term due to the outbreak, though once market conditions begin to normalise, they are well placed to capitalise on demand.

Like the occupier market, investment activity slowed initially due to the crisis, though activity has started to pick up in recent quarters. Indeed, 21Q1 recorded the strongest investment volumes in over a decade, with one standout sale and leaseback transactions posting a record low net initial yield for the submarket driving volumes.

### KEY INDICATORS

| Current Quarter        | GIA              | Vacancy Rate | Market Rent   | Availability Rate | Net Absorption SF | Deliveries SF | Under Construction |
|------------------------|------------------|--------------|---------------|-------------------|-------------------|---------------|--------------------|
| Logistics              | 4,154,617        | 2.2%         | £14.57        | 4.0%              | 11,245            | 0             | 0                  |
| Specialised Industrial | 597,083          | 0.4%         | £15.39        | 0.8%              | 0                 | 0             | 0                  |
| Light Industrial       | 1,264,477        | 0.7%         | £13.57        | 6.8%              | (642)             | 0             | 0                  |
| <b>Submarket</b>       | <b>6,016,177</b> | <b>1.7%</b>  | <b>£14.44</b> | <b>4.3%</b>       | <b>10,603</b>     | <b>0</b>      | <b>0</b>           |

| Annual Trends        | 12 Month | Historical Average | Forecast Average | Peak    | When    | Trough    | When    |
|----------------------|----------|--------------------|------------------|---------|---------|-----------|---------|
| Vacancy Change (YOY) | -0.1%    | 4.0%               | 2.3%             | 8.6%    | 2011 Q3 | 1.7%      | 2021 Q3 |
| Net Absorption SF    | (3.4K)   | (8,487)            | (28,693)         | 136,640 | 2014 Q2 | (230,853) | 2011 Q3 |
| Deliveries SF        | 0        | 6,656              | 1,179            | 34,014  | 2016 Q4 | 0         | 2021 Q2 |
| Rent Growth          | 4.3%     | 5.7%               | 3.7%             | 10.1%   | 2016 Q2 | -0.7%     | 2010 Q1 |
| Sales Volume         | £96.1M   | £28.4M             | N/A              | £96.1M  | 2021 Q2 | £0        | 2013 Q1 |

Vacancies in the Merton industrial submarket have seen marked improvement over the past decade. Periods of strong positive net absorption have outpaced the limited new supply that has come online, and coupled with the removal of swathes of inventory, Merton has seen steady vacancy compression, from near double digits in 2011 to lows of sub-2% last year.

The impact of the coronavirus has disrupted market activity over the past year, though, with leasing activity slowing. As a result, net absorption has been relatively weak and has applied upwards pressure on vacancies, which are now rising. Vacancies are forecast to continue this rise throughout this year and into 2022, though remain relatively tight compared to historical levels and below the London Market average. Indeed, current levels are around 1.7%.

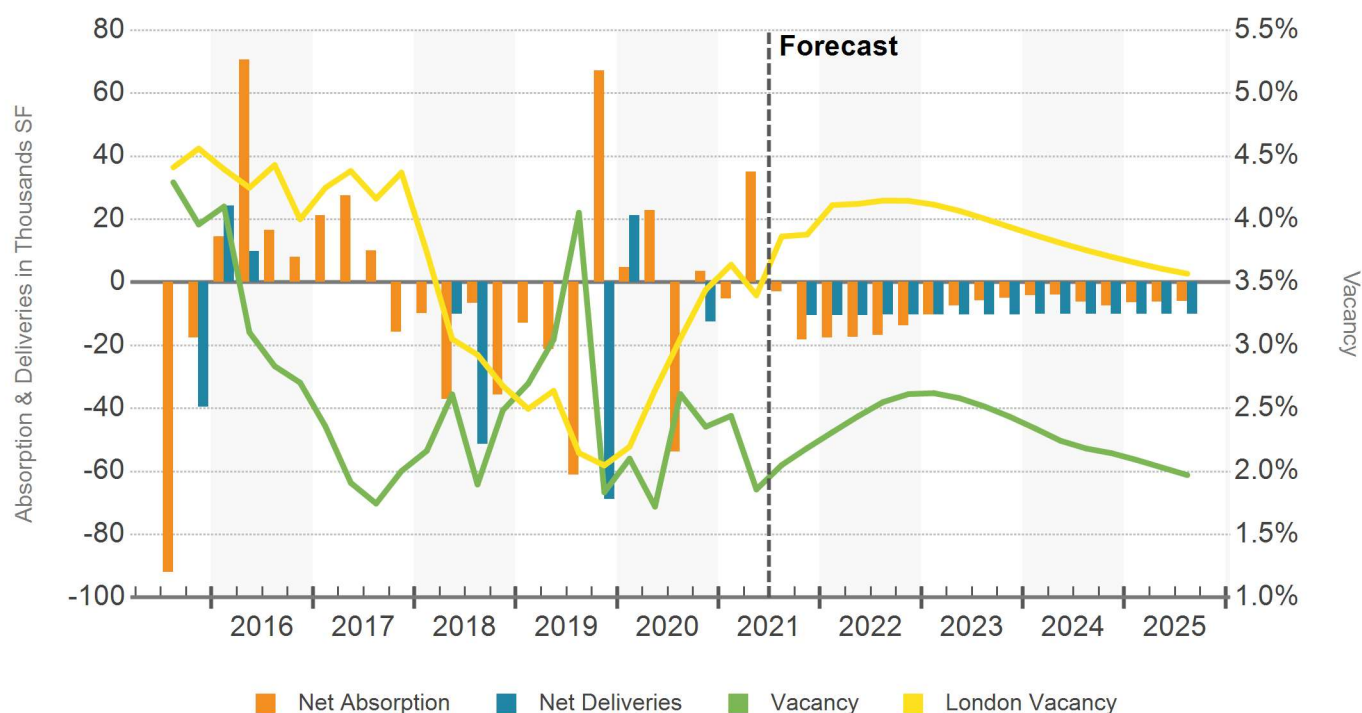
One notable commitment to the submarket just prior to the initial lockdown last year helped curb this vacancy rise to an extent, with online supermarket Ocado taking 33,000 SF at the recently refurbished 2 Jubilee Way in March. Aside from this, there have been few other notable deals over the past year. The only other 10,000-SF-plus deal was St George's Uni Hospital NHS Foundation Trust's 23,000-SF letting of 141 Garth Road in November.

Tight conditions have been present for the past few years in the submarket, with available space generally letting quickly. A notable example of this demand was one of the largest move-outs recently at units 6 and 7 (41,000 SF) of The Willow Centre in early 2019. The space was let within months and was occupied by Zafron Foods in October 2019. The centre is located adjacent to Mitcham Junction Station and has been a popular location for new occupiers in recent years.

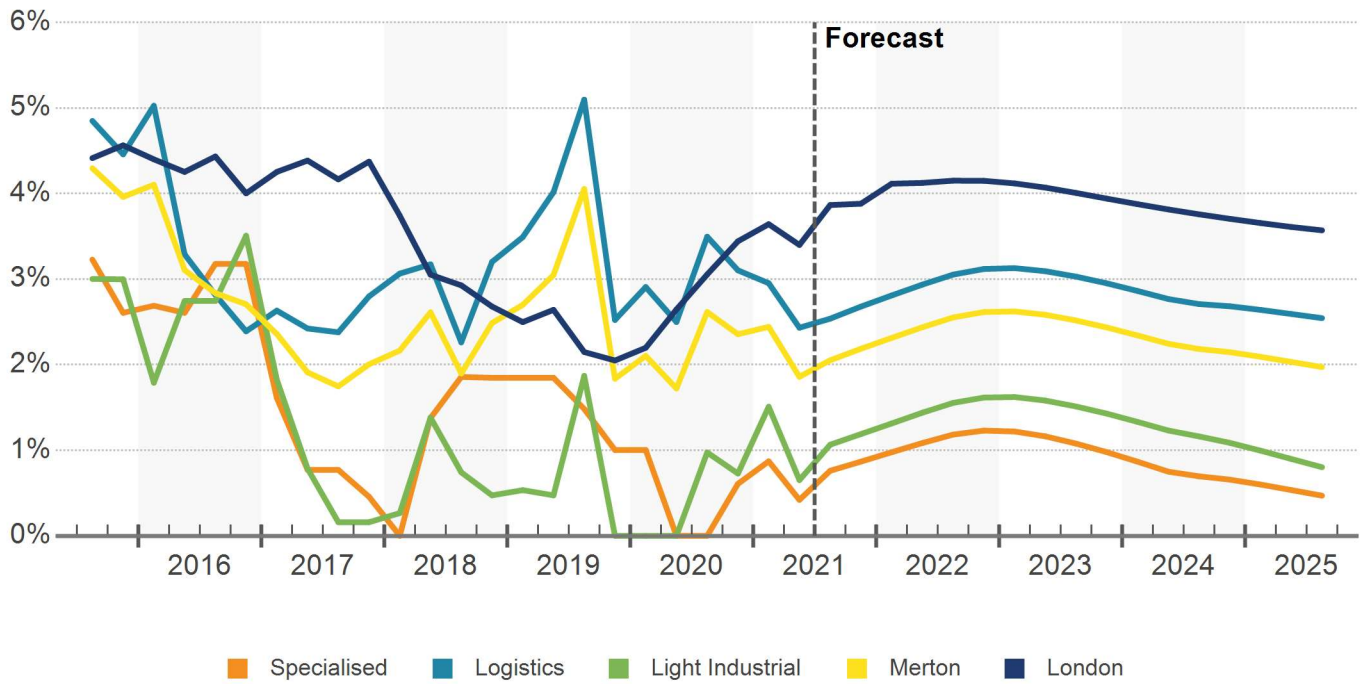
Central Merton has seen a number of deals of late, with several industrial parks located south of South Wimbledon and west of the River Wandle seeing strong demand. These include Saxon Business Centre, Windsor Park and Tramlink Park. New occupiers include Gandy International, SDS, Belderbos Landscapes and Forever Young.

These recent trends could bode well for newly delivered space in the submarket once market conditions start to normalise in the wake of the outbreak. The most recent delivery in the submarket was Workspace Group's speculative delivery of Rainbow Industrial Park (21,000 SF) in early 2020. The project was built on the former site of a park of the same name and is currently available. The Lombard Road Industrial Estate (31,000 SF), the largest delivery in 2019, also remains available.

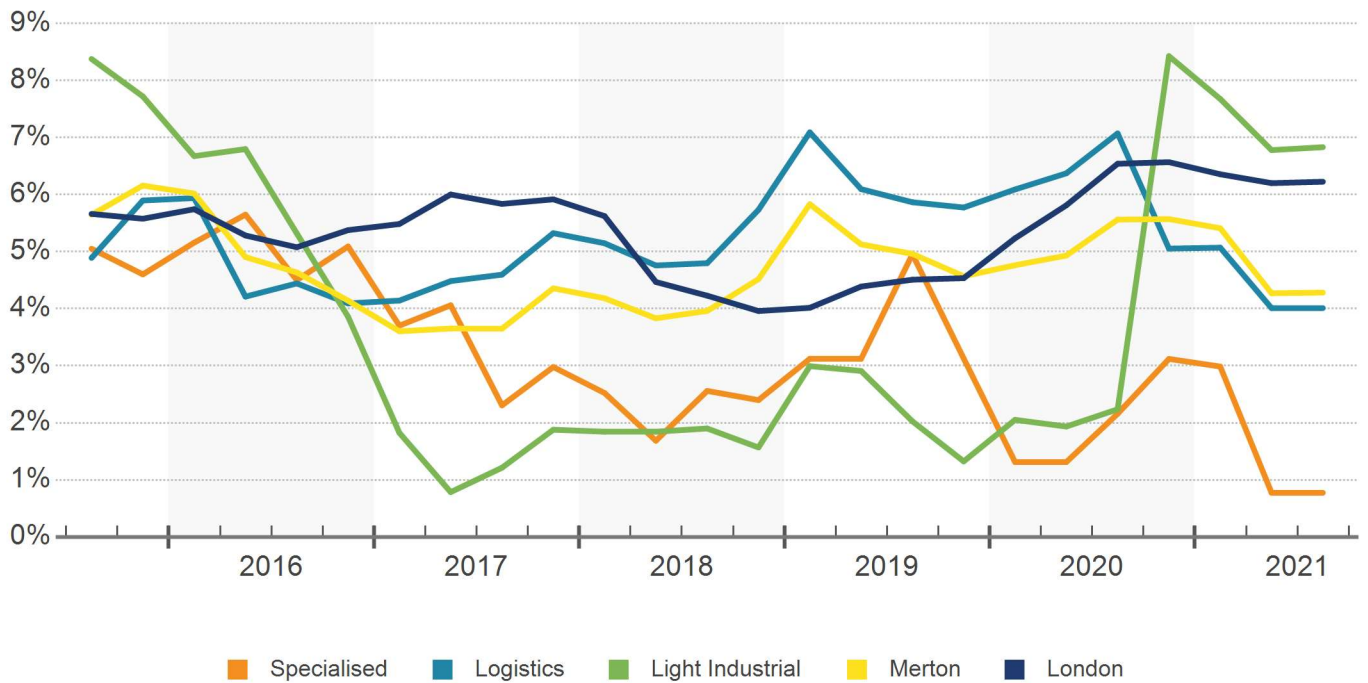
### NET ABSORPTION, NET DELIVERIES & VACANCY



## VACANCY RATE



## AVAILABILITY RATE



### 3 STAR MOST ACTIVE BUILDINGS IN SUBMARKET - PAST 12 MONTHS

| Property Name/Address  | Rating    | GIA    | Deals | Leased SF | 12 Mo Vacancy | 12 Mo Net Absorp SF |
|--|-----------|--------|-------|-----------|---------------|---------------------|
| <b>Unit 101-109</b><br>Rainbow Industrial Park                   | ★ ★ ★ ★ ★ | 15,775 | 3     | 6,520     | 55.0%         | 15,600              |
| <b>Units 110-111</b><br>Rainbow Industrial Park                  | ★ ★ ★ ★ ★ | 5,405  | 2     | 5,405     | 60.0%         | 5,405               |
| <b>Units 11-16 - College Fields B...</b><br>20 Prince Georges Rd | ★ ★ ★ ★ ★ | 18,958 | 1     | 2,636     | 8.3%          | 2,636               |
| <b>5-12</b><br>Vale Industrial Park                              | ★ ★ ★ ★ ★ | 20,360 | 1     | 2,230     | 2.2%          | 2,230               |
| <b>Units 1-5</b><br>Falcon Business Centre                       | ★ ★ ★ ★ ★ | 14,000 | 2     | 4,945     | 7.1%          | 0                   |
| <b>Warehouse Unit</b><br>12 Deer Park Rd                         | ★ ★ ★ ★ ★ | 3,770  | 1     | 3,770     | 0%            | 0                   |
| <b>Unit 1-5</b><br>Tramlink Park                                 | ★ ★ ★ ★ ★ | 43,651 | 1     | 8,736     | 8.0%          | 0                   |
| <b>Unit 1-7</b><br>Rufus Business Centre                         | ★ ★ ★ ★ ★ | 15,961 | 1     | 2,084     | 0%            | 0                   |
| <b>Units 6-10</b><br>Falcon Business Centre                      | ★ ★ ★ ★ ★ | 14,000 | 1     | 3,399     | 0%            | 0                   |
| <b>Units 1-10</b><br>Liongate Enterprise Park                    | ★ ★ ★ ★ ★ | 44,608 | 1     | 1,708     | 0%            | 0                   |
| <b>Units 2-5</b><br>Gresham Way Industrial Estate                | ★ ★ ★ ★ ★ | 27,292 | 1     | 8,450     | 0%            | 0                   |
| <b>Zeal House</b><br>8 Deer Park                                 | ★ ★ ★ ★ ★ | 62,242 | 3     | 2,955     | 0.6%          | (465)               |

The industrial sector as a whole has seen rapid growth over the past decade, and the Merton industrial submarket has been no different. It has mirrored the wider London market trend, with rents expanding in double digits in 2016–17 before moderating in the years since. Growth is expected to continue to slow throughout 2021, too, with the coronavirus's impact on leasing activity forecast to continue to drag on rental expectations.

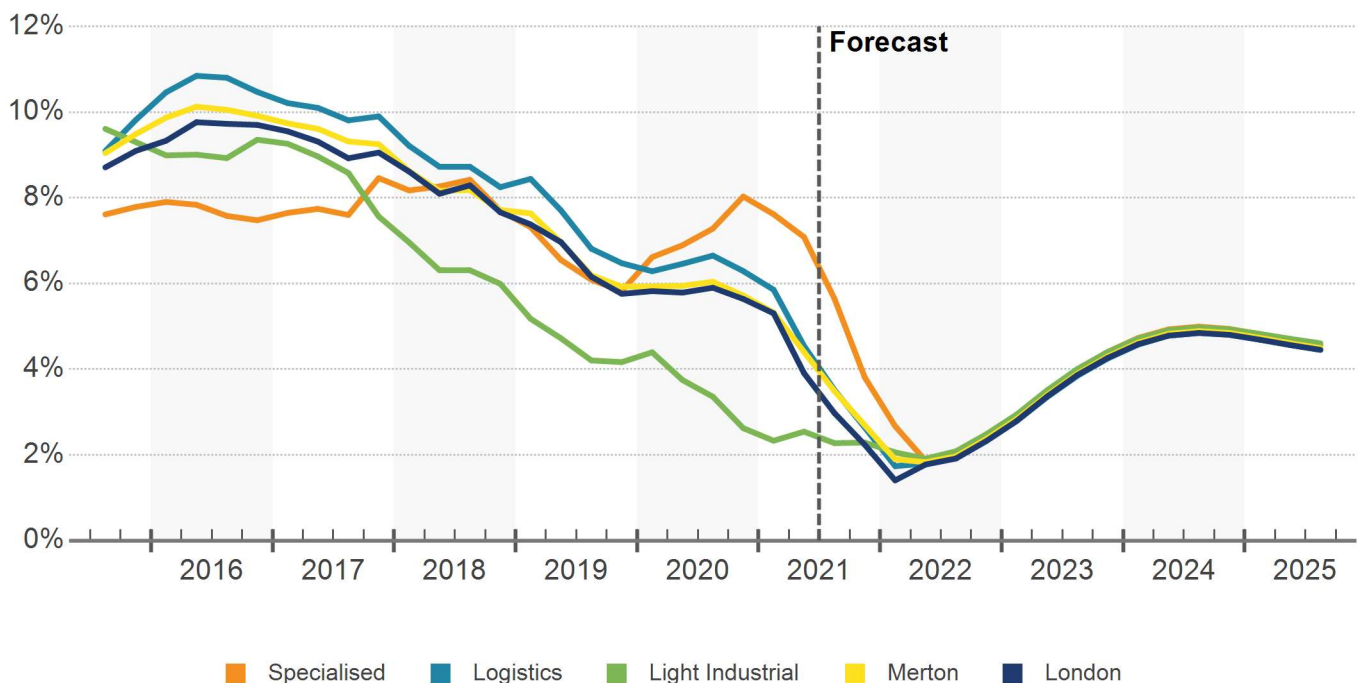
As with many submarkets, logistics space has driven rent growth, with almost three-quarters of the submarket's inventory falling into this segment. Subsequently, submarket rental growth follows logistics movement closely. While growth has decelerated in line with market trends, it remains positive in 2021. The specialised industrial and light industrial subsectors have followed a similar growth movement in this time, with rapid growth easing to slower expansion.

Rental rates, buoyed by the rapid expansion seen in

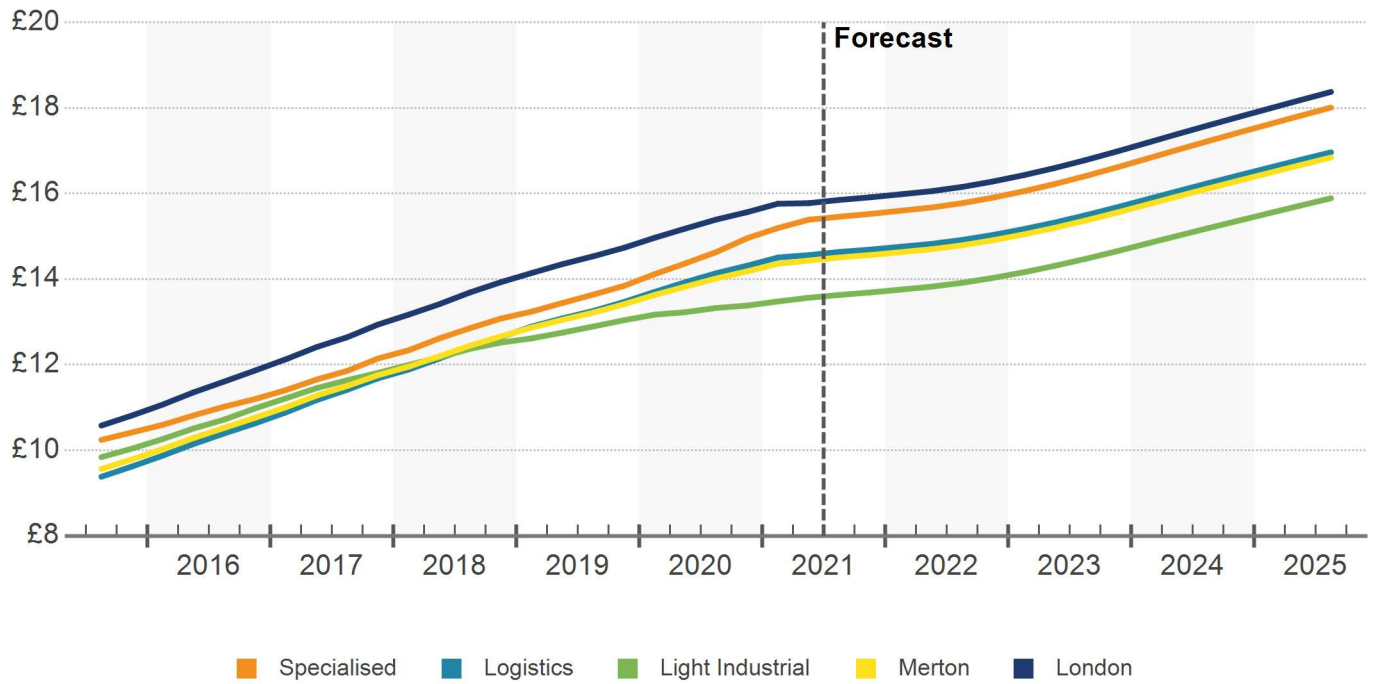
recent years, are at all-time highs in the submarket, currently at £14.40/SF. This level represents a cumulative increase of almost 50% over the past five years, but despite this, the submarket remains among the most affordable in the capital. Rents here offer a discount to neighbouring submarkets of Wandsworth, Lambeth, Sutton and Richmond & Kingston upon Thames, though the submarket does let at a marginal premium to the Croydon Submarket.

The relatively limited supply of new space has seen rents for new or even older refurbished spaces performed in recent years. The most notable rent of late was Elev8 Global's 3,000-SF letting at the Rainbow Industrial Estate (built in 2020) in January 2021 at an achieved rent of £21.10/SF. The Falcon Business Centre also secured a number of notable deals, with incoming occupiers Spring Box London, Kerb Food and Personalised Gifts taking space in December 2020 and March 2021 for achieved rents of £15/SF.

### MARKET RENT GROWTH (YOY)



### MARKET RENT PER SQUARE FEET





Merton contains around 6 million SF of industrial stock, the majority of which is categorised as logistics space. The submarket's largest units are clustered in parks in Summertown, in South Wimbledon and near Mitcham Junction. Notable occupiers include Sita UK, Elbrook (Cash & Carry), Homebase and Amazon.

Despite robust demand and improving occupier fundamentals in the submarket, new supply additions have been infrequent in the submarket over the past decade. Inventory fell in the five years before 2020, with several large demolitions and conversions to alternative use removing stock.

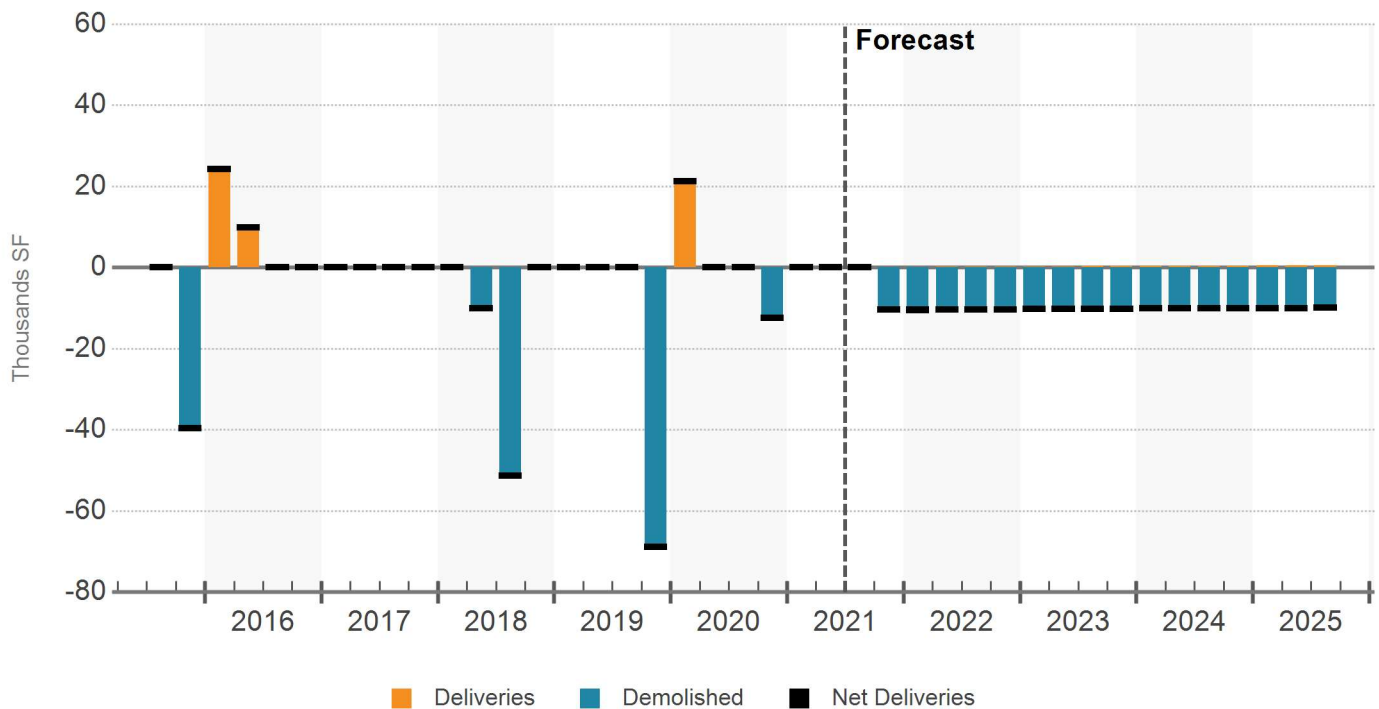
Some new supply did finally arrive recently, with around 21,000 SF speculatively developed at Rainbow Industrial Park in early 2020. The space is currently available at the top end of the submarket's rental range at circa £24/SF and has been letting well. While the coronavirus could see some of these units remain available over the coming months, pre-outbreak demand bodes well for

their lease-up once more normal market conditions return.

Prior to these most recent deliveries, the last new additions came following the demolition of 5-7 Lombard Road (totalling 28,000 SF) and 29 Deer Park Road (36,000 SF) in 2015. The former was developed into 10,000 SF in 2016, and the latter, making way for John Wycliffe House (23,000 SF), delivered in 2015. It is currently around 50% let to Burke & Wills Removals.

Refurbishments have also been relatively infrequent in recent years, though 2 Jubilee Way (32,000 SF) did complete works in early February 2020, before quickly letting to Ocado. Prior to this, the last notable works completed in 2014. The most significant of these were at the Macham Industrial Estate, with around 68,000 SF (built in 1974), and the Boundary Business Court, with 38,000 SF, completing extensive refurbishments that year. The latter has since seen a flurry of occupier activity at top-end rents.

### DELIVERIES & DEMOLITIONS



All-Time Annual Avg. Square Feet

Delivered Square Feet Past 8 Qtrs

Delivered Square Feet Next 8 Qtrs

Proposed Square Feet Next 8 Qtrs

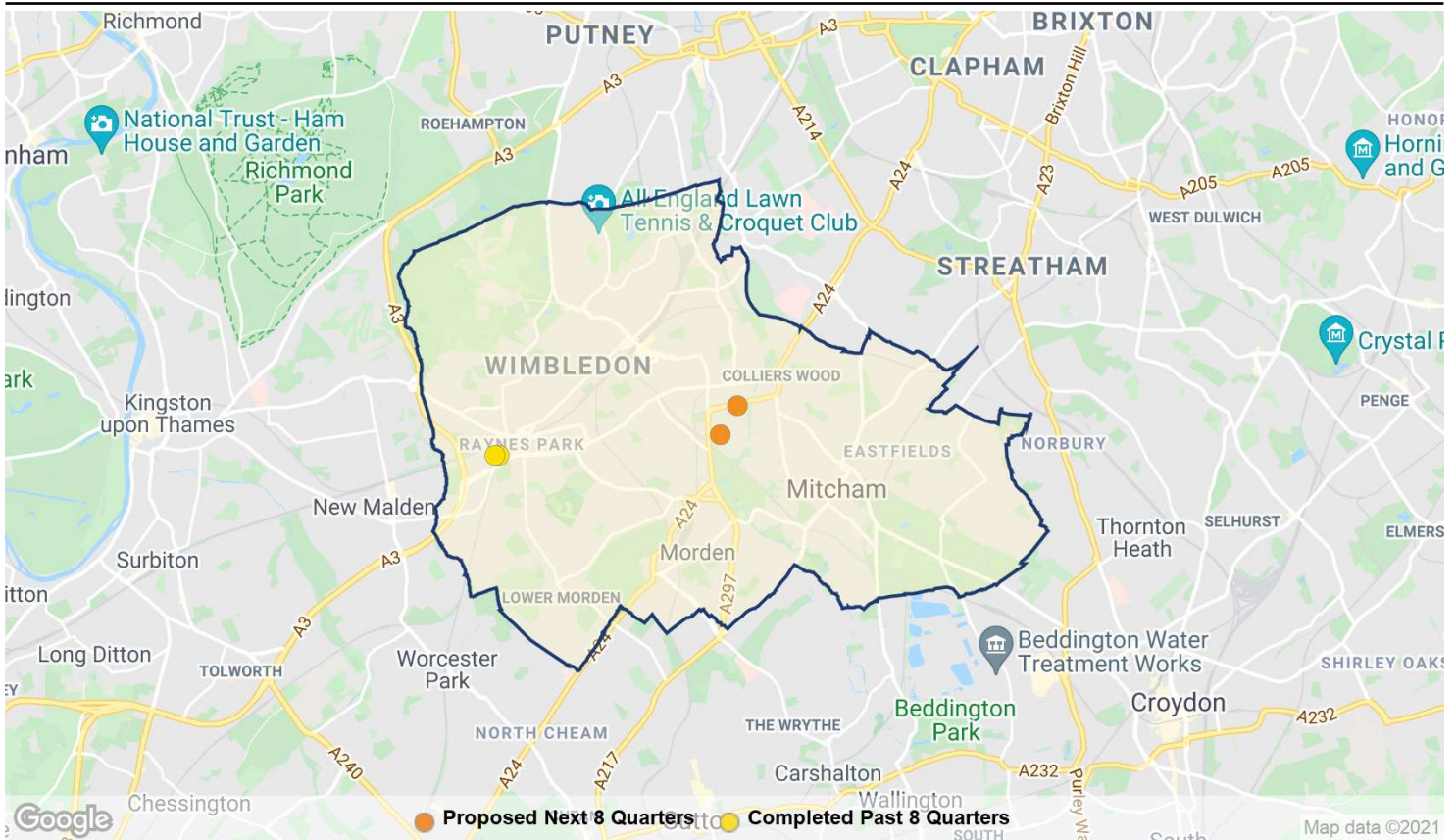
**6,352**

**21,180**

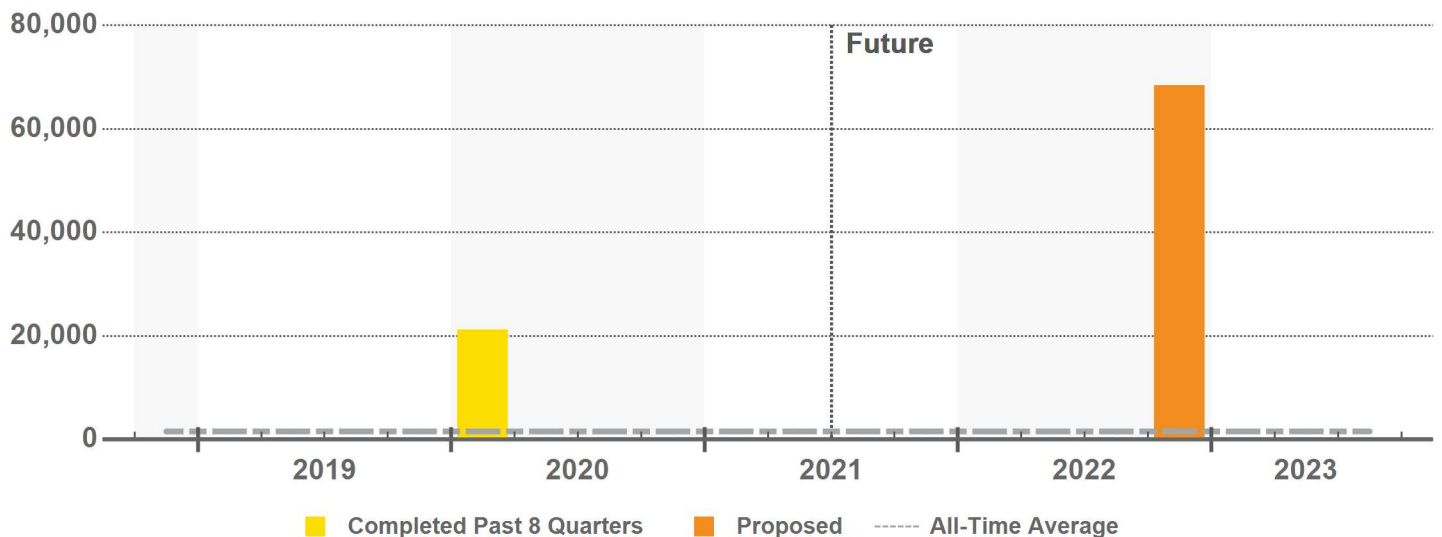
**0**

**68,467**

### PAST 8 QUARTERS DELIVERIES, UNDER CONSTRUCTION, & PROPOSED



### PAST & FUTURE DELIVERIES IN SQUARE FEET



## RECENT DELIVERIES

| Property Name/Address          | Rating    | Bldg SF | Floors | Start    | Complete | Developer/Owner          |
|--------------------------------|-----------|---------|--------|----------|----------|--------------------------|
| 1 <a href="#">Station Appr</a> | ★ ★ ★ ★ ★ | 15,775  | 2      | Jan 2019 | Feb 2020 | -<br>Workspace Group PLC |
| 2 <a href="#">Station Appr</a> | ★ ★ ★ ★ ★ | 5,405   | 2      | Jan 2019 | Jan 2020 | -<br>Workspace Group PLC |

## PROPOSED

| Property Name/Address           | Rating    | Bldg SF | Floors | Start    | Complete | Developer/Owner  |
|---------------------------------|-----------|---------|--------|----------|----------|--|
| 1 <a href="#">19-21 Lyon Rd</a> | ★ ★ ★ ★ ★ | 37,631  | 2      | Nov 2021 | Nov 2022 | Columbia Threadneedle Investm...<br>Columbia Threadneedle Investm... |
| 2 <a href="#">19 Lombard Rd</a> | ★ ★ ★ ★ ★ | 30,836  | 3      | Jul 2021 | Dec 2022 | -<br>Pineapple Corporation plc                                       |

Investment activity in Merton's industrial submarket has picked up markedly in recent quarters. Following easing activity in late 2019 and early 2020, several standout deals in recent quarters have driven volumes to decade highs. Indeed, two standout deals in early 2021 have sent sales volumes in the market over the past 12 months to more than £80 million – well ahead of the submarket's 10-year average of £30 million.

Underpinning volumes was Patrizia Immobilien and Kingston Estates' joint venture acquisition of the Willow Lane Industrial Estate in Mitcham. The JV purchased the 11-acre site from Byrne Group in a sale and leaseback transaction for £60 million in January, with a record low net initial yield for the submarket of 1.84%. It is understood that there are pre-planning applications for the redevelopment of the site into either a multi-let industrial estate or a single 237,000-SF unit, though no additional planning applications have been submitted to the council since the sale.

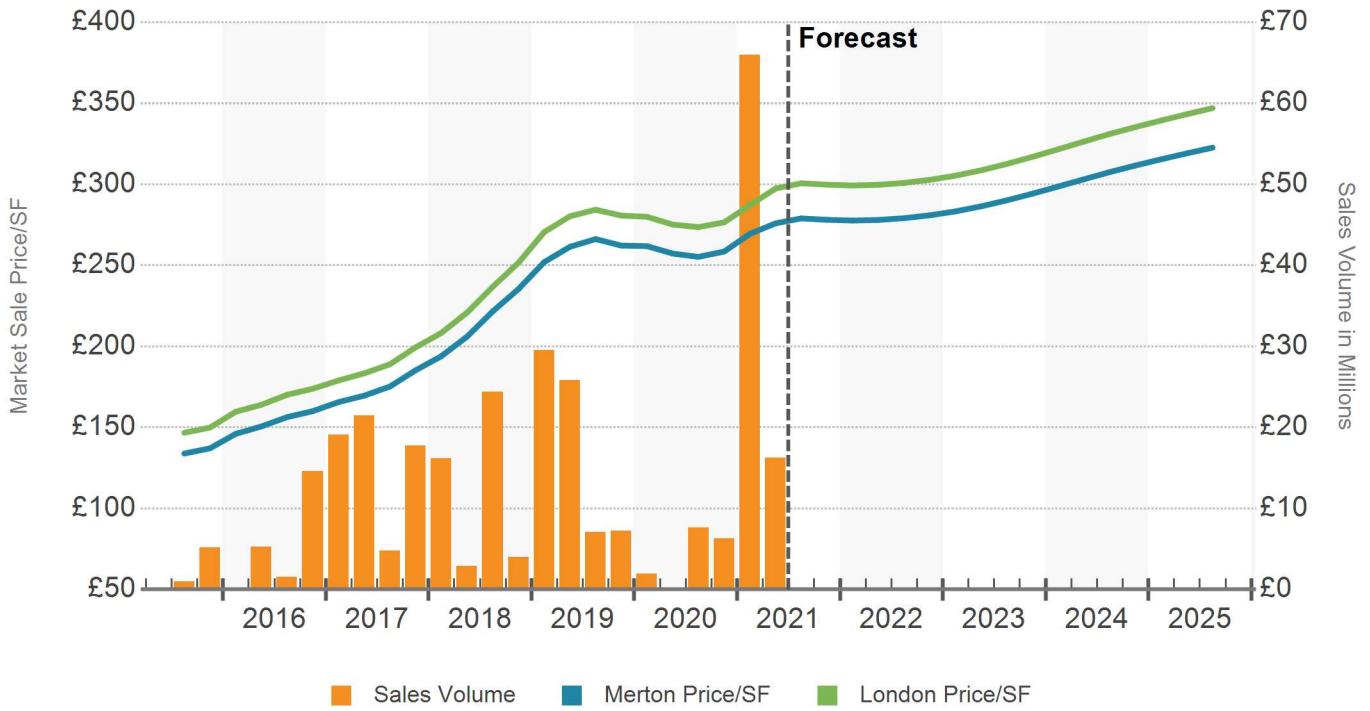
Aside from this deal, activity has been at the smaller end of the sale over the past year or two. Slowing momentum in the latter half of 2019 was compounded by the uncertainty surrounding the pandemic. Indeed, little traded in the opening half of 2020, with the first significant deals coming in the second half of the year. Marchmont Investment Management's acquisition of the long leasehold of Streatham Road at Mitcham Industrial Estate in July from Bluepuffin Estates for £4.4 million, reflecting a net initial yield of 5.2%, was the most notable

deal of the year. The property is fully let to TeamSport Indoor Karting on a lease expiring in 2036. One of the only other notable deals was LondonMetric Property's £2.5 million acquisition of a 36,000-SF unit at College Fields from Fulham Timber Merchants in October. The sale price reflected a yield of around 4%.

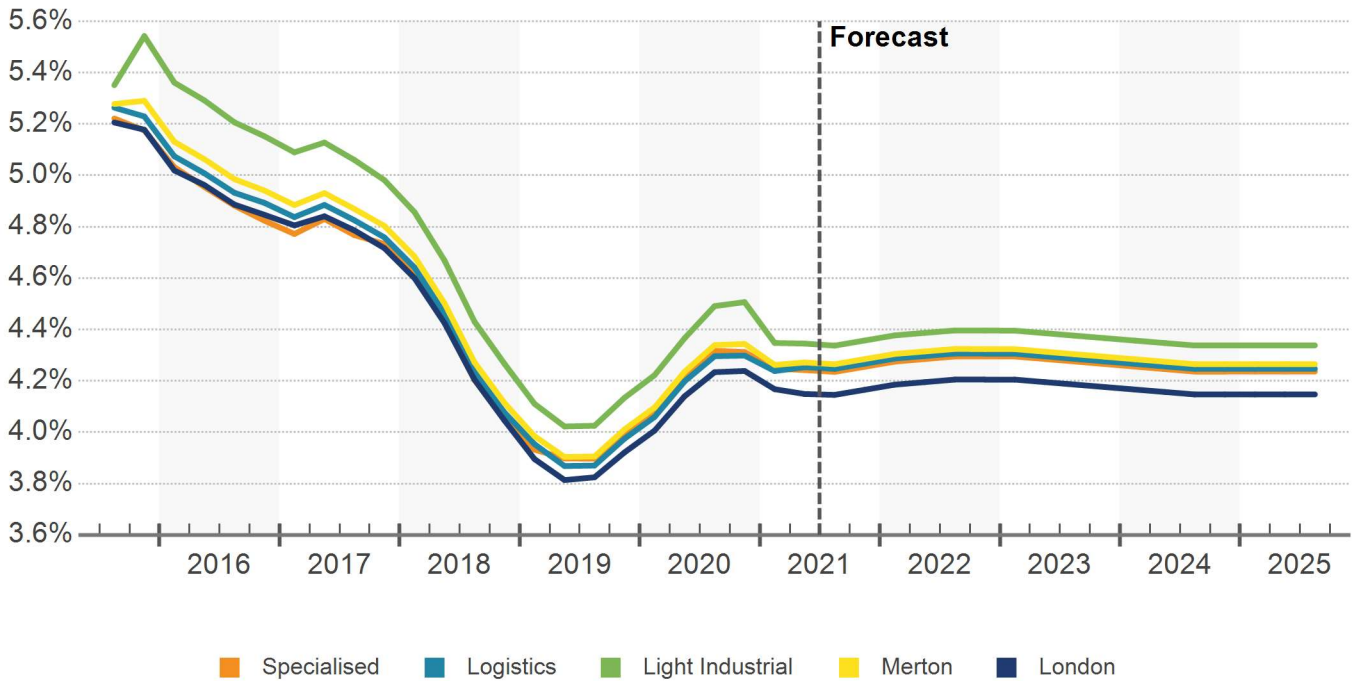
Along with the mitigation measures put in place by the government such as travel restrictions and the national lockdowns, wider economic outlooks and valuation uncertainty were also factors hampering activity. Many investors and vendors alike have taken up defensive wait-and-see strategies as a result.

While volumes slowed in the latter half of 2019, it was still one of the strongest years for investment in the submarket since the financial crisis, with around £60 million trading. This volume was underpinned by a couple of standout transactions. New Maiden picked up the two most notable deals of the year, with the repeat sale of units 4-6 at the Wyvern Industrial Estate. The 51,000-SF space initially traded in January 2019 alongside neighbouring units 1-3 (45,000 SF) to Big Yellow Self Storage (who occupy the latter). This accounted for around £10.8 million of the total of £28 million, with a keen net initial yield of 3.5%, paid to Imperial Tobacco Pension Fund. The units were then sold again in late May 2019 to Threadneedle Asset Management for £11.8 million, reflecting a net initial yield of 4.8% and a premium of almost 10%.

## SALES VOLUME & MARKET SALE PRICE PER SF



## MARKET YIELD





# Sales Past 12 Months

Merton Industrial

Sale Comparables

Avg. Yield

Avg. Price/SF

Avg. Vacancy At Sale

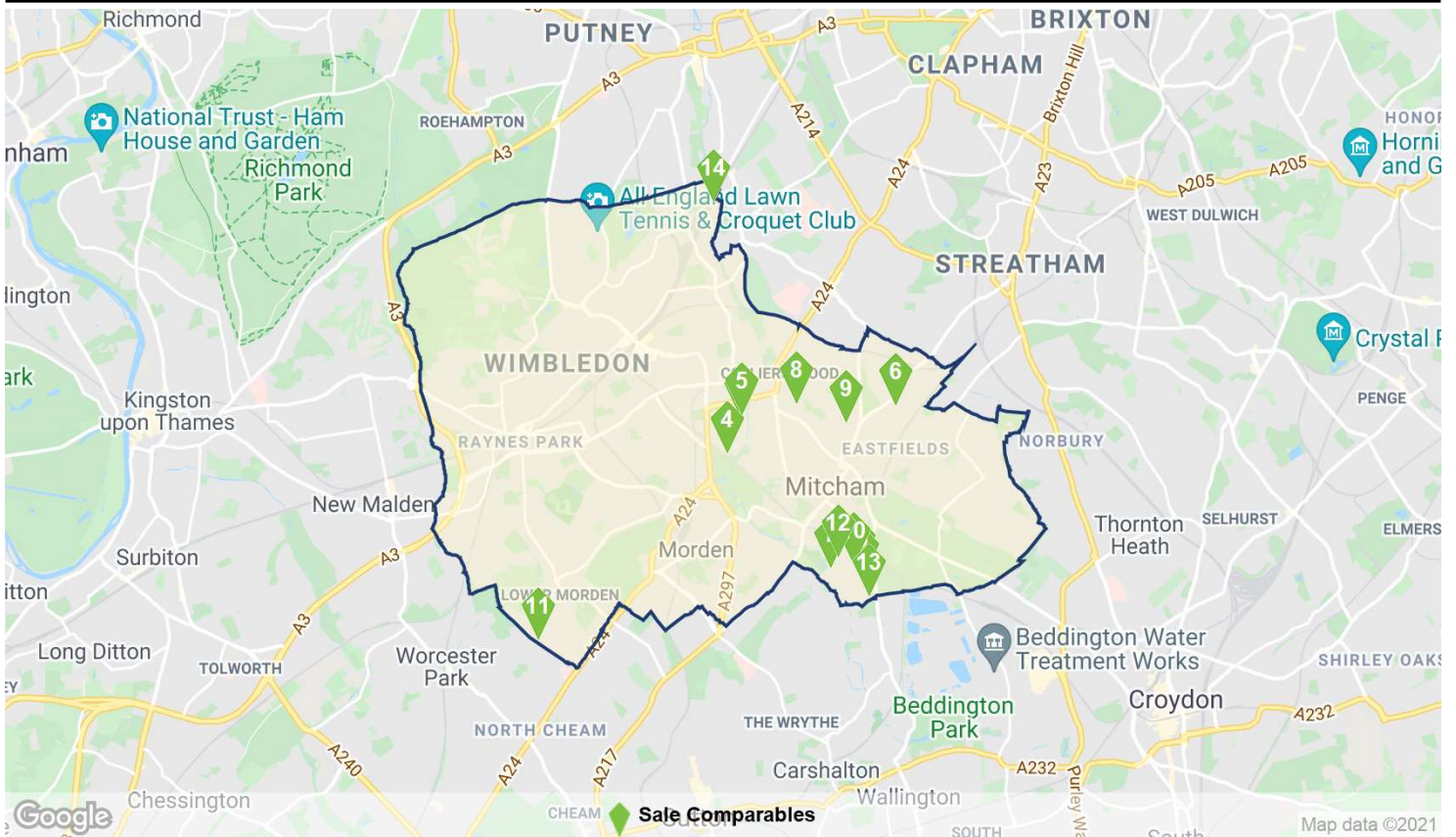
15

4.6%

£423

0%

## SALE COMPARABLE LOCATIONS



## SALE COMPARABLES SUMMARY STATISTICS

| Sales Attributes          | Low     | Average    | Median     | High        |
|---------------------------|---------|------------|------------|-------------|
| Sale Price                | £65,507 | £9,675,491 | £4,380,000 | £31,730,977 |
| Price/SF                  | £65     | £423       | £361       | £1,190      |
| Yield                     | 4.0%    | 4.6%       | 4.6%       | 5.2%        |
| Time Since Sale in Months | 0.6     | 7.6        | 7.0        | 11.7        |
| Property Attributes       | Low     | Average    | Median     | High        |
| Building SF               | 990     | 19,615     | 9,322      | 59,834      |
| Ceiling Height            | 12'1"   | 12'1"      | 12'1"      | 12'1"       |
| Docks                     | 0       | 0          | 0          | 1           |
| Vacancy Rate At Sale      | 0%      | 0%         | 0%         | 0%          |
| Year Built                | 1900    | 1964       | 1970       | 1997        |
| Star Rating               | ★★★★★   | ★★★★★ 2.3  | ★★★★★      | ★★★★★       |



# Sales Past 12 Months

Merton Industrial

## RECENT SIGNIFICANT SALES

| Property Name - Address                     | Property |          |         |         | Sale       |             |          |      |
|---|----------|----------|---------|---------|------------|-------------|----------|------|
|   | Rating   | Yr Built | Bldg SF | Vacancy | Sale Date  | Price       | Price/SF | NIY  |
| 1 Willow Lane Industrial E...<br>Drake Rd   | ★★★★★    | 1997     | 49,166  | 0%      | 20/01/2021 | £31,730,977 | £645     | -    |
| 2 Goat Rd                                   | ★★★★★    | 1960     | 59,834  | 0%      | 20/01/2021 | £29,269,023 | £489     | -    |
| 3 Windsor Park<br>50 Windsor Ave            | ★★★★★    | 1987     | 29,833  | 0%      | 24/06/2021 | £11,701,906 | £392     | -    |
| 4 John Wycliffe House<br>29 Deer Park Rd    | ★★★★★    | 2016     | 11,175  | 0%      | 02/03/2021 | £5,000,000  | £447     | -    |
| 5 Windsor Park Industrial...<br>Windsor Ave | ★★★★★    | -        | 10,784  | 0%      | 24/06/2021 | £4,548,094  | £422     | -    |
| 6 Streatham Rd                              | ★★★★★    | 1970     | 29,109  | 0%      | 31/07/2020 | £4,380,000  | £150     | 5.2% |
| 7 50A Willow Ln                             | ★★★★★    | 1979     | 3,139   | 0%      | 17/12/2020 | £3,733,915  | £1,190   | -    |
| 8 Prince Georges Rd                         | ★★★★★    | 1979     | 7,004   | 0%      | 28/10/2020 | £2,530,000  | £361     | 4.0% |
| 9 32 Eveline Rd                             | ★★★★★    | 1950     | 4,063   | 0%      | 06/08/2020 | £1,250,000  | £308     | -    |
| 10 1-11 Willow Ln                           | ★★★★★    | 1966     | 15,403  | 0%      | 20/07/2020 | £1,000,000  | £65      | -    |
| 11 193 Garth Rd                             | ★★★★★    | 1990     | 5,573   | 0%      | 15/08/2020 | £525,000    | £94      | -    |
| 12 24 Willow                                | ★★★★★    | 1900     | 1,371   | 0%      | 30/07/2020 | £400,000    | £292     | -    |
| 13 Workshop<br>12 Goat Rd                   | ★★★★★    | 1939     | 990     | 0%      | 20/07/2020 | £65,507     | £66      | -    |
| 11 193 Garth Rd                             | ★★★★★    | 1990     | 3,439   | 0%      | 01/01/2021 | -           | -        | -    |
| 14 73 Weir Rd                               | ★★★★★    | 1993     | 7,859   | 0%      | 10/12/2020 | -           | -        | -    |



## OVERALL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2025 | 5,843,035 | (39,922)  | -0.7%    | (25,992)       | -0.4%    | -                  |
| 2024 | 5,882,957 | (40,363)  | -0.7%    | (21,835)       | -0.4%    | -                  |
| 2023 | 5,923,320 | (40,936)  | -0.7%    | (28,612)       | -0.5%    | -                  |
| 2022 | 5,964,256 | (41,477)  | -0.7%    | (65,581)       | -1.1%    | -                  |
| 2021 | 6,005,733 | (10,444)  | -0.2%    | 8,831          | 0.1%     | -                  |
| YTD  | 6,016,177 | 0         | 0%       | 40,529         | 0.7%     | 0                  |
| 2020 | 6,016,177 | 8,746     | 0.1%     | (22,703)       | -0.4%    | -                  |
| 2019 | 6,007,431 | (68,823)  | -1.1%    | (28,014)       | -0.5%    | -                  |
| 2018 | 6,076,254 | (61,319)  | -1.0%    | (89,389)       | -1.5%    | -                  |
| 2017 | 6,137,573 | 0         | 0%       | 43,048         | 0.7%     | 0                  |
| 2016 | 6,137,573 | 34,014    | 0.6%     | 109,673        | 1.8%     | 0.3                |
| 2015 | 6,103,559 | (103,802) | -1.7%    | (30,147)       | -0.5%    | -                  |
| 2014 | 6,207,361 | 0         | 0%       | (14,164)       | -0.2%    | -                  |
| 2013 | 6,207,361 | 0         | 0%       | 111,102        | 1.8%     | 0                  |
| 2012 | 6,207,361 | 0         | 0%       | 102,965        | 1.7%     | 0                  |
| 2011 | 6,207,361 | 10,000    | 0.2%     | (196,879)      | -3.2%    | -                  |
| 2010 | 6,197,361 | 0         | 0%       | (83,952)       | -1.4%    | -                  |
| 2009 | 6,197,361 | -         | -        | (22,568)       | -0.4%    | -                  |

## SPECIALISED INDUSTRIAL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2025 | 579,817   | (4,050)   | -0.7%    | (2,529)        | -0.4%    | -                  |
| 2024 | 583,867   | (4,060)   | -0.7%    | (1,979)        | -0.3%    | -                  |
| 2023 | 587,927   | (4,079)   | -0.7%    | (2,383)        | -0.4%    | -                  |
| 2022 | 592,006   | (4,093)   | -0.7%    | (6,025)        | -1.0%    | -                  |
| 2021 | 596,099   | (984)     | -0.2%    | (2,522)        | -0.4%    | -                  |
| YTD  | 597,083   | 0         | 0%       | 1,118          | 0.2%     | 0                  |
| 2020 | 597,083   | 0         | 0%       | 2,359          | 0.4%     | 0                  |
| 2019 | 597,083   | 0         | 0%       | 5,037          | 0.8%     | 0                  |
| 2018 | 597,083   | (8,335)   | -1.4%    | (16,596)       | -2.8%    | -                  |
| 2017 | 605,418   | 0         | 0%       | 16,464         | 2.7%     | 0                  |
| 2016 | 605,418   | 0         | 0%       | (3,453)        | -0.6%    | -                  |
| 2015 | 605,418   | (7,847)   | -1.3%    | (2,585)        | -0.4%    | -                  |
| 2014 | 613,265   | 0         | 0%       | (19,279)       | -3.1%    | -                  |
| 2013 | 613,265   | 0         | 0%       | 19,349         | 3.2%     | 0                  |
| 2012 | 613,265   | 0         | 0%       | 12,675         | 2.1%     | 0                  |
| 2011 | 613,265   | 0         | 0%       | (23,911)       | -3.9%    | -                  |
| 2010 | 613,265   | 0         | 0%       | 8,397          | 1.4%     | 0                  |
| 2009 | 613,265   | -         | -        | 5,313          | 0.9%     | -                  |

## LOGISTICS SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2025 | 4,035,670 | (27,220)  | -0.7%    | (19,308)       | -0.5%    | -                  |
| 2024 | 4,062,890 | (27,630)  | -0.7%    | (15,632)       | -0.4%    | -                  |
| 2023 | 4,090,520 | (28,150)  | -0.7%    | (20,121)       | -0.5%    | -                  |
| 2022 | 4,118,670 | (28,647)  | -0.7%    | (45,692)       | -1.1%    | -                  |
| 2021 | 4,147,317 | (7,300)   | -0.2%    | 10,566         | 0.3%     | -                  |
| YTD  | 4,154,617 | 0         | 0%       | 39,089         | 0.9%     | 0                  |
| 2020 | 4,154,617 | 21,180    | 0.5%     | (3,427)        | -0.1%    | -                  |
| 2019 | 4,133,437 | (50,748)  | -1.2%    | (21,098)       | -0.5%    | -                  |
| 2018 | 4,184,185 | (38,377)  | -0.9%    | (54,148)       | -1.3%    | -                  |
| 2017 | 4,222,562 | 0         | 0%       | (17,237)       | -0.4%    | -                  |
| 2016 | 4,222,562 | 34,014    | 0.8%     | 119,783        | 2.8%     | 0.3                |
| 2015 | 4,188,548 | (95,955)  | -2.2%    | (21,462)       | -0.5%    | -                  |
| 2014 | 4,284,503 | 0         | 0%       | 1,719          | 0%       | 0                  |
| 2013 | 4,284,503 | 0         | 0%       | 81,844         | 1.9%     | 0                  |
| 2012 | 4,284,503 | 0         | 0%       | 113,323        | 2.6%     | 0                  |
| 2011 | 4,284,503 | 10,000    | 0.2%     | (175,683)      | -4.1%    | -                  |
| 2010 | 4,274,503 | 0         | 0%       | (83,804)       | -2.0%    | -                  |
| 2009 | 4,274,503 | -         | -        | (41,492)       | -1.0%    | -                  |

## LIGHT INDUSTRIAL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2025 | 1,227,548 | (8,652)   | -0.7%    | (4,155)        | -0.3%    | -                  |
| 2024 | 1,236,200 | (8,673)   | -0.7%    | (4,224)        | -0.3%    | -                  |
| 2023 | 1,244,873 | (8,707)   | -0.7%    | (6,108)        | -0.5%    | -                  |
| 2022 | 1,253,580 | (8,737)   | -0.7%    | (13,864)       | -1.1%    | -                  |
| 2021 | 1,262,317 | (2,160)   | -0.2%    | 787            | 0.1%     | -                  |
| YTD  | 1,264,477 | 0         | 0%       | 322            | 0%       | 0                  |
| 2020 | 1,264,477 | (12,434)  | -1.0%    | (21,635)       | -1.7%    | -                  |
| 2019 | 1,276,911 | (18,075)  | -1.4%    | (11,953)       | -0.9%    | -                  |
| 2018 | 1,294,986 | (14,607)  | -1.1%    | (18,645)       | -1.4%    | -                  |
| 2017 | 1,309,593 | 0         | 0%       | 43,821         | 3.3%     | 0                  |
| 2016 | 1,309,593 | 0         | 0%       | (6,657)        | -0.5%    | -                  |
| 2015 | 1,309,593 | 0         | 0%       | (6,100)        | -0.5%    | -                  |
| 2014 | 1,309,593 | 0         | 0%       | 3,396          | 0.3%     | 0                  |
| 2013 | 1,309,593 | 0         | 0%       | 9,909          | 0.8%     | 0                  |
| 2012 | 1,309,593 | 0         | 0%       | (23,033)       | -1.8%    | -                  |
| 2011 | 1,309,593 | 0         | 0%       | 2,715          | 0.2%     | 0                  |
| 2010 | 1,309,593 | 0         | 0%       | (8,545)        | -0.7%    | -                  |
| 2009 | 1,309,593 | -         | -        | 13,611         | 1.0%     | -                  |

### OVERALL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2025 | £17.02      | 4.4%     | 20.0%        | 112,737 | 1.9%    | -0.2%    |
| 2024 | £16.30      | 4.8%     | 15.0%        | 126,207 | 2.1%    | -0.3%    |
| 2023 | £15.55      | 4.3%     | 9.6%         | 144,166 | 2.4%    | -0.2%    |
| 2022 | £14.91      | 2.4%     | 5.1%         | 155,904 | 2.6%    | 0.4%     |
| 2021 | £14.56      | 2.7%     | 2.7%         | 131,230 | 2.2%    | -0.2%    |
| YTD  | £14.44      | 1.9%     | 1.9%         | 101,144 | 1.7%    | -0.7%    |
| 2020 | £14.18      | 5.7%     | 0%           | 141,673 | 2.4%    | 0.5%     |
| 2019 | £13.41      | 5.9%     | -5.4%        | 110,224 | 1.8%    | -0.7%    |
| 2018 | £12.66      | 7.7%     | -10.7%       | 151,033 | 2.5%    | 0.5%     |
| 2017 | £11.76      | 9.2%     | -17.1%       | 122,963 | 2.0%    | -0.7%    |
| 2016 | £10.76      | 9.9%     | -24.1%       | 166,011 | 2.7%    | -1.3%    |
| 2015 | £9.79       | 9.5%     | -31.0%       | 241,670 | 4.0%    | -1.1%    |
| 2014 | £8.94       | 7.9%     | -36.9%       | 315,325 | 5.1%    | 0.2%     |
| 2013 | £8.29       | 4.6%     | -41.5%       | 301,161 | 4.9%    | -1.8%    |
| 2012 | £7.92       | 3.1%     | -44.1%       | 412,263 | 6.6%    | -1.7%    |
| 2011 | £7.69       | 1.6%     | -45.8%       | 515,228 | 8.3%    | 3.3%     |
| 2010 | £7.56       | 0.1%     | -46.7%       | 308,349 | 5.0%    | 1.4%     |
| 2009 | £7.55       | -        | -46.8%       | 224,397 | 3.6%    | -        |

### SPECIALISED INDUSTRIAL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2025 | £18.20      | 4.5%     | 21.7%        | 2,436   | 0.4%    | -0.2%    |
| 2024 | £17.42      | 4.9%     | 16.5%        | 3,832   | 0.7%    | -0.3%    |
| 2023 | £16.60      | 4.4%     | 11.0%        | 5,746   | 1.0%    | -0.3%    |
| 2022 | £15.90      | 2.4%     | 6.4%         | 7,276   | 1.2%    | 0.4%     |
| 2021 | £15.52      | 3.8%     | 3.8%         | 5,168   | 0.9%    | 0.3%     |
| YTD  | £15.39      | 2.9%     | 2.9%         | 2,508   | 0.4%    | -0.2%    |
| 2020 | £14.95      | 8.0%     | 0%           | 3,626   | 0.6%    | -0.4%    |
| 2019 | £13.84      | 5.8%     | -7.4%        | 5,985   | 1.0%    | -0.8%    |
| 2018 | £13.08      | 7.7%     | -12.5%       | 11,022  | 1.8%    | 1.4%     |
| 2017 | £12.14      | 8.5%     | -18.8%       | 2,761   | 0.5%    | -2.7%    |
| 2016 | £11.20      | 7.5%     | -25.1%       | 19,225  | 3.2%    | 0.6%     |
| 2015 | £10.42      | 7.8%     | -30.3%       | 15,772  | 2.6%    | -0.8%    |
| 2014 | £9.67       | 6.9%     | -35.4%       | 21,034  | 3.4%    | 3.1%     |
| 2013 | £9.05       | 4.2%     | -39.5%       | 1,755   | 0.3%    | -3.2%    |
| 2012 | £8.68       | 2.2%     | -41.9%       | 21,104  | 3.4%    | -2.1%    |
| 2011 | £8.50       | 0.2%     | -43.2%       | 33,779  | 5.5%    | 3.9%     |
| 2010 | £8.48       | -1.2%    | -43.3%       | 9,868   | 1.6%    | -1.4%    |
| 2009 | £8.59       | -        | -42.6%       | 18,265  | 3.0%    | -        |

### LOGISTICS RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2025 | £17.14      | 4.3%     | 19.7%        | 101,292 | 2.5%    | -0.2%    |
| 2024 | £16.42      | 4.8%     | 14.8%        | 108,948 | 2.7%    | -0.3%    |
| 2023 | £15.67      | 4.3%     | 9.5%         | 120,652 | 2.9%    | -0.2%    |
| 2022 | £15.03      | 2.3%     | 5.0%         | 128,380 | 3.1%    | 0.4%     |
| 2021 | £14.69      | 2.6%     | 2.6%         | 111,058 | 2.7%    | -0.4%    |
| YTD  | £14.57      | 1.8%     | 1.8%         | 89,757  | 2.2%    | -0.9%    |
| 2020 | £14.31      | 6.3%     | 0%           | 128,846 | 3.1%    | 0.6%     |
| 2019 | £13.46      | 6.5%     | -5.9%        | 104,239 | 2.5%    | -0.7%    |
| 2018 | £12.65      | 8.2%     | -11.6%       | 133,889 | 3.2%    | 0.4%     |
| 2017 | £11.68      | 9.9%     | -18.4%       | 118,118 | 2.8%    | 0.4%     |
| 2016 | £10.63      | 10.5%    | -25.7%       | 100,881 | 2.4%    | -2.1%    |
| 2015 | £9.62       | 9.8%     | -32.8%       | 186,650 | 4.5%    | -1.6%    |
| 2014 | £8.76       | 7.6%     | -38.8%       | 261,143 | 6.1%    | 0%       |
| 2013 | £8.14       | 3.9%     | -43.1%       | 262,862 | 6.1%    | -1.9%    |
| 2012 | £7.83       | 2.8%     | -45.3%       | 344,706 | 8.0%    | -2.6%    |
| 2011 | £7.62       | 1.3%     | -46.7%       | 458,029 | 10.7%   | 4.3%     |
| 2010 | £7.52       | -0.1%    | -47.4%       | 272,346 | 6.4%    | 2.0%     |
| 2009 | £7.53       | -        | -47.4%       | 188,542 | 4.4%    | -        |

### LIGHT INDUSTRIAL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2025 | £16.06      | 4.5%     | 20.0%        | 9,009   | 0.7%    | -0.4%    |
| 2024 | £15.37      | 4.9%     | 14.8%        | 13,427  | 1.1%    | -0.3%    |
| 2023 | £14.64      | 4.4%     | 9.4%         | 17,768  | 1.4%    | -0.2%    |
| 2022 | £14.03      | 2.5%     | 4.8%         | 20,248  | 1.6%    | 0.4%     |
| 2021 | £13.69      | 2.3%     | 2.3%         | 15,004  | 1.2%    | 0.5%     |
| YTD  | £13.57      | 1.4%     | 1.4%         | 8,879   | 0.7%    | 0%       |
| 2020 | £13.38      | 2.6%     | 0%           | 9,201   | 0.7%    | 0.7%     |
| 2019 | £13.04      | 4.2%     | -2.6%        | 0       | 0%      | -0.5%    |
| 2018 | £12.52      | 6.0%     | -6.5%        | 6,122   | 0.5%    | 0.3%     |
| 2017 | £11.81      | 7.6%     | -11.7%       | 2,084   | 0.2%    | -3.3%    |
| 2016 | £10.98      | 9.4%     | -17.9%       | 45,905  | 3.5%    | 0.5%     |
| 2015 | £10.04      | 9.3%     | -25.0%       | 39,248  | 3.0%    | 0.5%     |
| 2014 | £9.19       | 9.2%     | -31.4%       | 33,148  | 2.5%    | -0.3%    |
| 2013 | £8.41       | 7.2%     | -37.1%       | 36,544  | 2.8%    | -0.8%    |
| 2012 | £7.85       | 4.5%     | -41.3%       | 46,453  | 3.5%    | 1.8%     |
| 2011 | £7.51       | 3.6%     | -43.9%       | 23,420  | 1.8%    | -0.2%    |
| 2010 | £7.25       | 1.8%     | -45.8%       | 26,135  | 2.0%    | 0.7%     |
| 2009 | £7.12       | -        | -46.8%       | 17,590  | 1.3%    | -        |

### OVERALL SALES

| Year | Completed Transactions (1) |        |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|--------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2025 | -                          | -      | -        | -           | -            | -         | £326.10                   | 399         | 4.3%  |
| 2024 | -                          | -      | -        | -           | -            | -         | £311.64                   | 381         | 4.3%  |
| 2023 | -                          | -      | -        | -           | -            | -         | £294.29                   | 360         | 4.3%  |
| 2022 | -                          | -      | -        | -           | -            | -         | £280.92                   | 344         | 4.3%  |
| 2021 | -                          | -      | -        | -           | -            | -         | £278.11                   | 340         | 4.3%  |
| YTD  | 6                          | £82.3M | 2.7%     | £19,312,500 | £511.53      | -         | £281.20                   | 344         | 4.2%  |
| 2020 | 11                         | £15.8M | 1.6%     | £1,954,904  | £204.91      | 4.6%      | £258.53                   | 316         | 4.3%  |
| 2019 | 19                         | £69.6M | 5.9%     | £4,037,903  | £196.33      | 5.6%      | £262.22                   | 321         | 4.0%  |
| 2018 | 18                         | £47.4M | 3.6%     | £3,504,077  | £239.03      | 5.4%      | £235.41                   | 288         | 4.1%  |
| 2017 | 19                         | £63.1M | 6.7%     | £5,764,284  | £171.03      | 4.0%      | £185.30                   | 227         | 4.8%  |
| 2016 | 17                         | £21.3M | 3.0%     | £2,817,500  | £123.73      | 4.9%      | £160.08                   | 196         | 4.9%  |
| 2015 | 13                         | £22.3M | 3.1%     | £10,172,500 | £152.89      | 12.9%     | £137.14                   | 168         | 5.3%  |
| 2014 | 15                         | £4.4M  | 2.1%     | £1,481,055  | £64.06       | 10.0%     | £119.51                   | 146         | 5.5%  |
| 2013 | 12                         | £10.5M | 3.0%     | £2,094,900  | £173.71      | 7.6%      | £100.72                   | 123         | 6.4%  |
| 2012 | 4                          | £775K  | 2.0%     | £387,500    | £7.21        | -         | £89.04                    | 109         | 6.9%  |
| 2011 | 6                          | £13.6M | 2.1%     | £1,327,068  | £150.86      | 4.0%      | £85.25                    | 104         | 7.1%  |
| 2010 | 9                          | £12.4M | 4.7%     | £1,546,218  | £63.55       | 8.4%      | £77.24                    | 95          | 7.8%  |

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

### SPECIALISED INDUSTRIAL SALES

| Year | Completed Transactions (1) |         |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2025 | -                          | -       | -        | -           | -            | -         | £338.40                   | 377         | 4.2%  |
| 2024 | -                          | -       | -        | -           | -            | -         | £323.11                   | 360         | 4.2%  |
| 2023 | -                          | -       | -        | -           | -            | -         | £304.81                   | 339         | 4.3%  |
| 2022 | -                          | -       | -        | -           | -            | -         | £290.78                   | 324         | 4.3%  |
| 2021 | -                          | -       | -        | -           | -            | -         | £287.63                   | 320         | 4.3%  |
| YTD  | -                          | -       | -        | -           | -            | -         | £290.70                   | 324         | 4.2%  |
| 2020 | 2                          | £3.7M   | 1.8%     | £3,733,915  | £1,189.52    | -         | £267.52                   | 298         | 4.3%  |
| 2019 | 2                          | £22.6M  | 17.0%    | £11,289,458 | £222.68      | 4.2%      | £268.80                   | 299         | 4.0%  |
| 2018 | 7                          | £7.4M   | 7.1%     | £1,489,531  | £233.68      | -         | £241.94                   | 269         | 4.0%  |
| 2017 | 4                          | £5.4M   | 3.1%     | £2,685,415  | £665.12      | 3.8%      | £190.04                   | 211         | 4.7%  |
| 2016 | -                          | -       | -        | -           | -            | -         | £167.70                   | 187         | 4.8%  |
| 2015 | 1                          | £0.00   | 0.6%     | -           | -            | -         | £143.49                   | 160         | 5.2%  |
| 2014 | 2                          | £0.00   | 0.2%     | -           | -            | -         | £125.45                   | 140         | 5.5%  |
| 2013 | 2                          | £974.5K | 0.8%     | £487,250    | £189.52      | -         | £103.42                   | 115         | 6.4%  |
| 2012 | -                          | -       | -        | -           | -            | -         | £94.46                    | 105         | 6.8%  |
| 2011 | -                          | -       | -        | -           | -            | -         | £92.23                    | 103         | 6.9%  |
| 2010 | 2                          | £855.4K | 3.0%     | £427,675    | £45.95       | -         | £84.22                    | 94          | 7.6%  |

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### LOGISTICS SALES

| Year | Completed Transactions (1) |        |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|--------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2025 | -                          | -      | -        | -           | -            | -         | £331.97                   | 413         | 4.2%  |
| 2024 | -                          | -      | -        | -           | -            | -         | £317.40                   | 395         | 4.2%  |
| 2023 | -                          | -      | -        | -           | -            | -         | £299.79                   | 373         | 4.3%  |
| 2022 | -                          | -      | -        | -           | -            | -         | £286.26                   | 356         | 4.3%  |
| 2021 | -                          | -      | -        | -           | -            | -         | £283.58                   | 353         | 4.3%  |
| YTD  | 6                          | £82.3M | 4.0%     | £19,312,500 | £511.53      | -         | £286.85                   | 357         | 4.2%  |
| 2020 | 6                          | £6.7M  | 0.7%     | £903,877    | £227.04      | 4.0%      | £266.33                   | 331         | 4.3%  |
| 2019 | 8                          | £27.7M | 4.4%     | £4,547,173  | £153.53      | 6.2%      | £268.91                   | 334         | 4.0%  |
| 2018 | 11                         | £40M   | 4.3%     | £4,763,168  | £240.06      | 5.4%      | £241.00                   | 300         | 4.1%  |
| 2017 | 12                         | £52.9M | 8.2%     | £6,860,287  | £163.04      | 3.8%      | £189.25                   | 235         | 4.8%  |
| 2016 | 5                          | £12.3M | 3.2%     | £3,066,250  | £92.65       | 4.9%      | £163.14                   | 203         | 4.9%  |
| 2015 | 7                          | £17.2M | 2.9%     | £15,410,000 | £167.71      | -         | £139.62                   | 174         | 5.2%  |
| 2014 | 8                          | £830K  | 1.2%     | £415,000    | £32.28       | 10.0%     | £121.95                   | 152         | 5.5%  |
| 2013 | 9                          | £9.5M  | 3.9%     | £3,166,667  | £172.24      | 7.6%      | £100.63                   | 125         | 6.4%  |
| 2012 | 3                          | £775K  | 2.7%     | £387,500    | £7.21        | -         | £88.69                    | 110         | 7.0%  |
| 2011 | 6                          | £13.6M | 3.0%     | £1,327,068  | £150.86      | 4.0%      | £84.74                    | 105         | 7.1%  |
| 2010 | 5                          | £9.1M  | 5.0%     | £2,274,849  | £75.99       | 7.6%      | £76.48                    | 95          | 7.8%  |

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### LIGHT INDUSTRIAL SALES

| Year | Completed Transactions (1) |        |          |            |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|--------|----------|------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume | Turnover | Avg Price  | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2025 | -                          | -      | -        | -          | -            | -         | £301.23                   | 367         | 4.3%  |
| 2024 | -                          | -      | -        | -          | -            | -         | £287.53                   | 350         | 4.3%  |
| 2023 | -                          | -      | -        | -          | -            | -         | £271.43                   | 330         | 4.4%  |
| 2022 | -                          | -      | -        | -          | -            | -         | £258.95                   | 315         | 4.4%  |
| 2021 | -                          | -      | -        | -          | -            | -         | £255.85                   | 311         | 4.4%  |
| YTD  | -                          | -      | -        | -          | -            | -         | £258.31                   | 314         | 4.3%  |
| 2020 | 3                          | £5.4M  | 4.2%     | £4,380,000 | £120.87      | 5.2%      | £228.86                   | 279         | 4.5%  |
| 2019 | 9                          | £19.3M | 5.7%     | £2,143,519 | £266.03      | -         | £237.31                   | 289         | 4.1%  |
| 2018 | -                          | -      | -        | -          | -            | -         | £214.12                   | 261         | 4.3%  |
| 2017 | 3                          | £4.8M  | 3.5%     | £4,250,000 | £132.45      | 5.2%      | £170.18                   | 207         | 5.0%  |
| 2016 | 12                         | £9M    | 3.7%     | £2,320,000 | £227.42      | -         | £146.57                   | 178         | 5.2%  |
| 2015 | 5                          | £5.2M  | 5.1%     | £4,935,000 | £118.15      | 12.9%     | £126.10                   | 153         | 5.5%  |
| 2014 | 5                          | £3.6M  | 5.6%     | £3,613,164 | £82.77       | -         | £108.78                   | 132         | 5.7%  |
| 2013 | 1                          | £0.00  | 1.1%     | -          | -            | 7.6%      | £99.78                    | 121         | 6.3%  |
| 2012 | 1                          | £0.00  | 1.0%     | -          | -            | -         | £87.71                    | 107         | 6.9%  |
| 2011 | -                          | -      | -        | -          | -            | -         | £83.71                    | 102         | 7.1%  |
| 2010 | 2                          | £2.4M  | 4.3%     | £1,207,500 | £42.89       | 10.0%     | £76.51                    | 93          | 7.7%  |

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(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.





# Industrial Submarket Report

## Merton

London

**PREPARED BY**

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Brian Fraser  
Estates Surveyor



**INDUSTRIAL SUBMARKET REPORT**

|                          |    |
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| Submarket Key Statistics | 2  |
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12 Mo Deliveries in SF

**30.8 K**

12 Mo Net Absorption in SF

**65 K**

Vacancy Rate

**1.5%**

12 Mo Rent Growth

**3.7%**

Fuelled by a combination of robust occupier demand and limited supply, fundamentals in the Merton industrial submarket have seen marked improvement this cycle. Vacancies now sit near cycle lows, with positive net absorption outpacing scarce new supply additions.

This dynamic, coupled with the generally positive performance and sentiment surrounding the sector, has allowed landlords to continue pushing rental expansion. Even older refurbished stock has benefited from the supply-constrained market, with newer stock pushing well above the submarket average.

As with many industrial submarkets, the majority of stock is logistics space, meaning average growth tends to follow the subsector. Growth has decelerated in recent quarters, though it remains positive across the board.

Investors have taken note of the submarkets robust fundamentals, with investment activity ramping up steadily in recent years. Volumes have reached £50 million in the past three years, including 2019, representing volumes more than double the historical annual average for the submarket. Deal frequency has also ramped up steadily, with 2018 and 2017 recording cyclical highs for the number of deals.

### KEY INDICATORS

| Current Quarter        | GIA              | Vacancy Rate       | Market Rent      | Availability Rate | Net Absorption SF | Deliveries SF | Under Construction |
|------------------------|------------------|--------------------|------------------|-------------------|-------------------|---------------|--------------------|
| Logistics              | 4,068,396        | 1.7%               | £13.22           | 6.0%              | 11,175            | 0             | 0                  |
| Specialised Industrial | 578,406          | 2.8%               | £13.48           | 5.0%              | 0                 | 0             | 0                  |
| Light Industrial       | 979,246          | 0%                 | £14.38           | 1.7%              | 0                 | 0             | 0                  |
| <b>Submarket</b>       | <b>5,626,048</b> | <b>1.5%</b>        | <b>£13.45</b>    | <b>5.2%</b>       | <b>11,175</b>     | <b>0</b>      | <b>0</b>           |
| Annual Trends          | 12 Month         | Historical Average | Forecast Average | Peak              | When              | Trough        | When               |
| Vacancy Change (YOY)   | -0.6%            | 4.5%               | 2.2%             | 9.4%              | 2011 Q3           | 1.5%          | 2020 Q1            |
| Net Absorption SF      | 65 K             | 7,513              | 75               | 133,740           | 2014 Q2           | (228,153)     | 2011 Q3            |
| Deliveries SF          | 30.8 K           | 7,284              | 13,609           | 30,836            | 2019 Q4           | 0             | 2019 Q1            |
| Rent Growth            | 3.7%             | 5.6%               | 2.7%             | 10.5%             | 2016 Q2           | -0.9%         | 2010 Q1            |
| Sales Volume           | £43.2 M          | £23.8M             | N/A              | £80.9M            | 2019 Q2           | £0            | 2013 Q1            |

Fundamentals in Merton's industrial inventory have been strong over the past few years. Limited new development has been outstripped by robust demand for assets when they become available, leading to tight vacancy compression. They currently sit near cycle lows at around 1.5%.

At this level, they have fallen back below the market average for the capital, which had crept up in previous quarters owing to the first delivery in the market for three years. The new supply, around 30,800 SF located at Lombard Road Industrial Estate, is currently available.

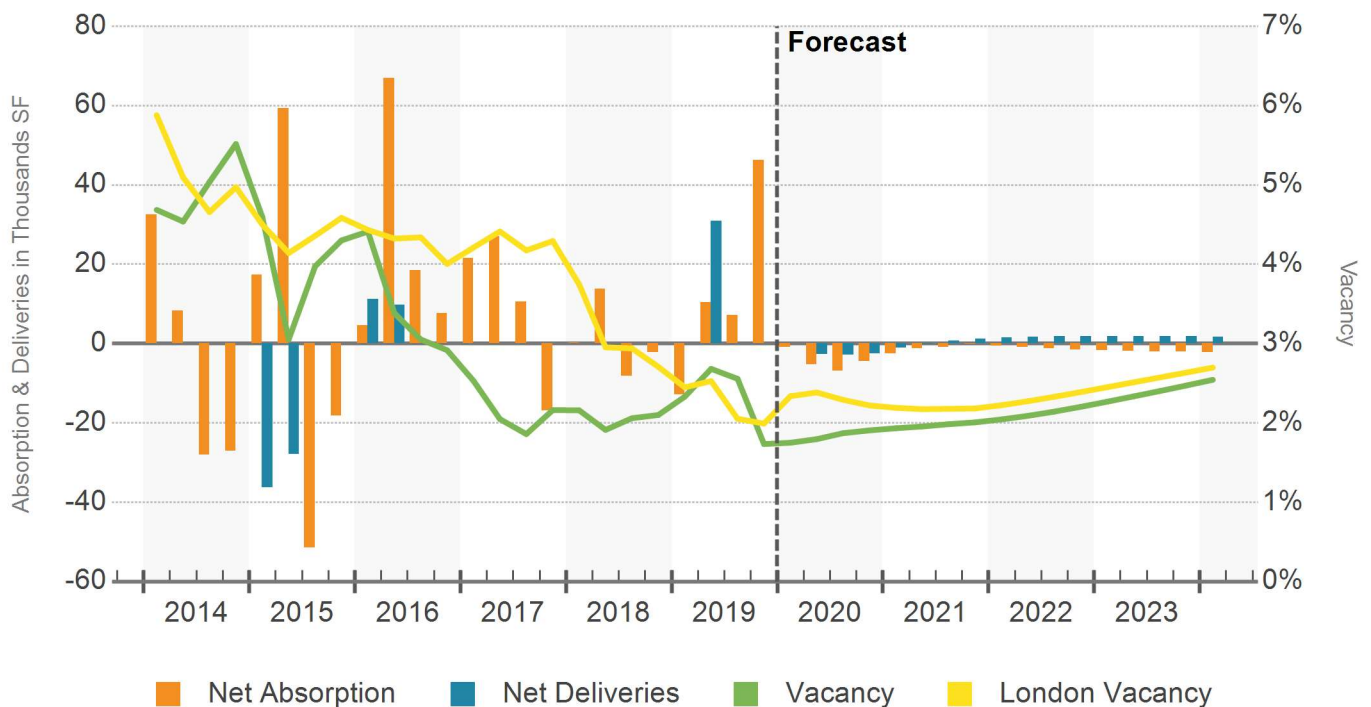
With such tight vacancies, new space generally lets at a significant premium to the market average, with quoting rents at the new space currently at £17.50/SF. Despite this high rent, market conditions bode well for the space's eventual lease-up, with available space typically snapped up quickly. A notable example of this demand

was of the largest move-outs recently at units 6 & 7 (41,200 SF) of The Willow Centre in early 2019. The space let within months and was recently occupied in the move-in this year.

Central Merton has been particularly popular in recent years, with a number of industrial parks located south of South Wimbledon and west of the River Wandle seeing strong demand. These include Saxon Business Centre, Windsor Park and Tramlink Park. New occupiers include Gandy International, SDS, Belderbos Landscapes and Forever Young.

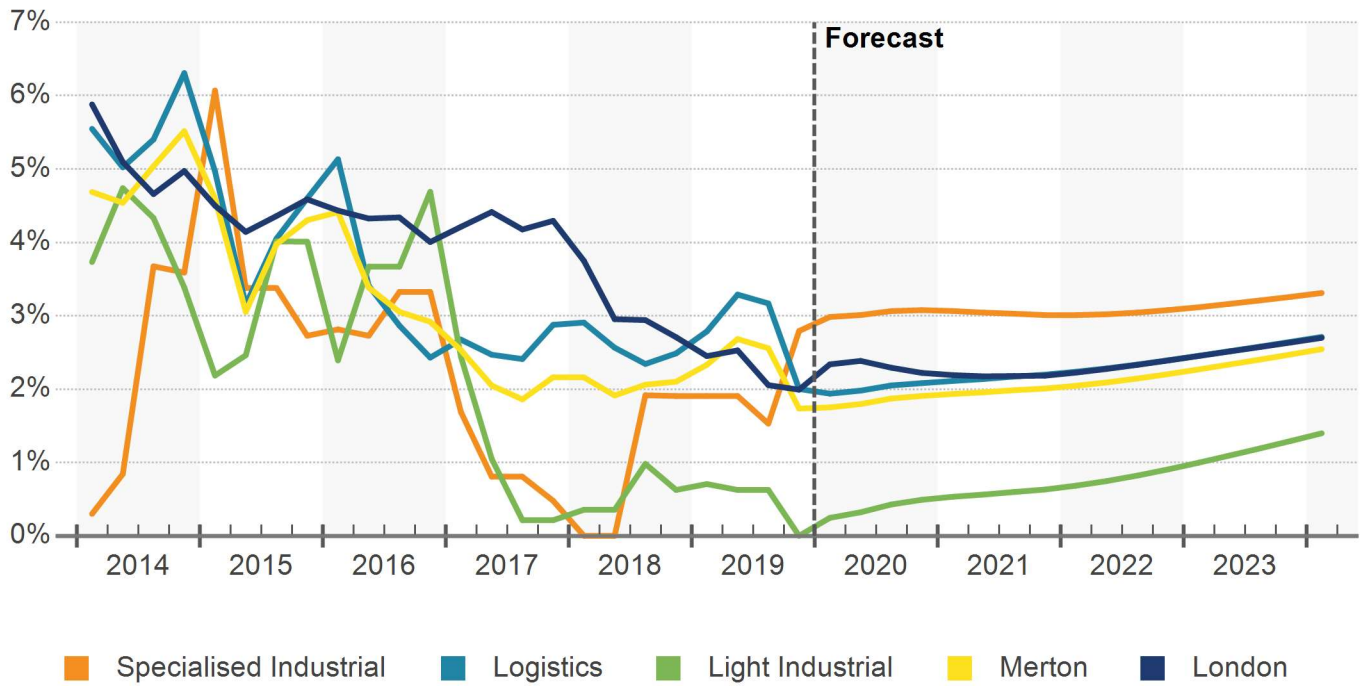
The area adjacent to Mitcham Junction Station has also been popular among occupiers of late, with several business and industrial parks seeing healthy demand. The most notable was the aforementioned moves at the Willow Centre later in 2019.

### NET ABSORPTION, NET DELIVERIES & VACANCY

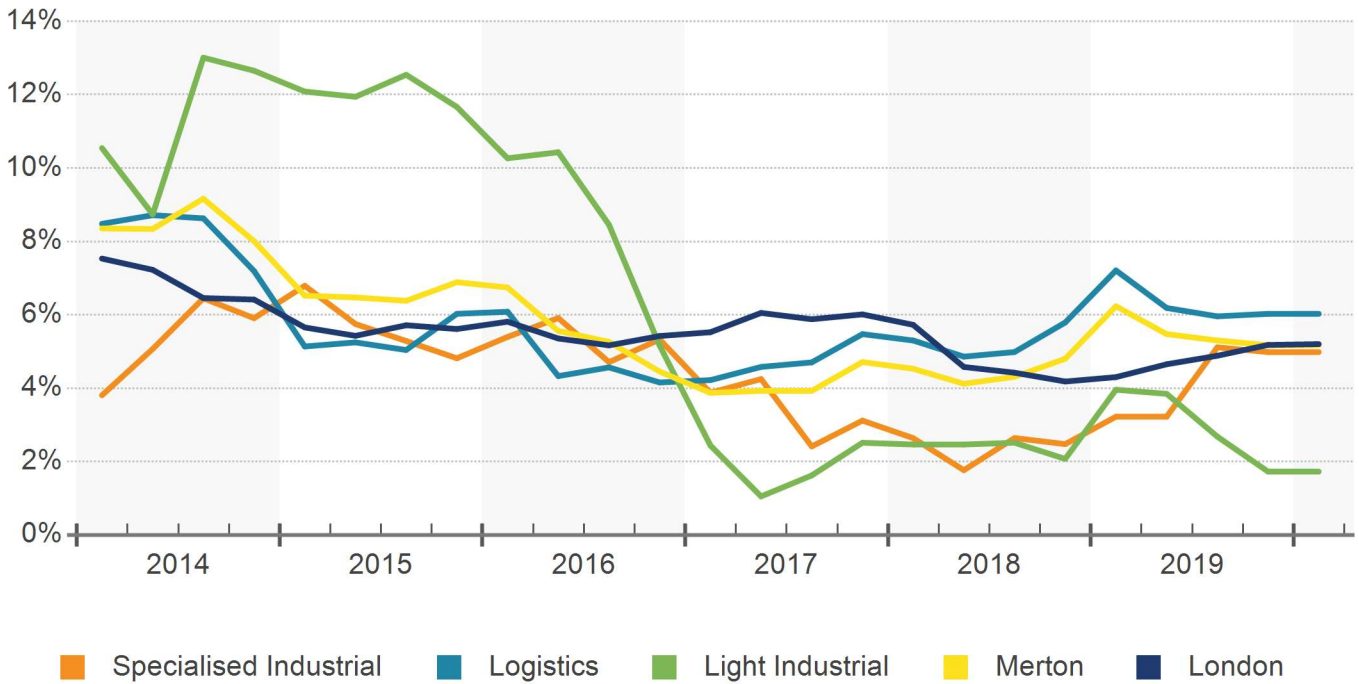




## VACANCY RATE



## AVAILABILITY RATE



### 3 STAR MOST ACTIVE BUILDINGS IN SUBMARKET - PAST 12 MONTHS

| Property Name/Address  | Rating    | GIA    | Deals | Leased SF | 12 Mo Vacancy | 12 Mo Net Absorp SF |
|--|-----------|--------|-------|-----------|---------------|---------------------|
| <b>Units 10-14</b><br>Nelson Trading Estate                        | ★ ★ ★ ★ ★ | 54,827 | 1     | 17,439    | 0%            | 13,370              |
| <b>Units 2-9a</b><br>Nelson Industrial Estate                      | ★ ★ ★ ★ ★ | 51,594 | 1     | 6,680     | 7.8%          | 6,680               |
| <b>Unit 17</b><br>Rufus Business Centre                            | ★ ★ ★ ★ ★ | 6,122  | 1     | 6,122     | 60.0%         | 6,122               |
| <b>Unit 1-28</b><br>Riverside Business Park                        | ★ ★ ★ ★ ★ | 71,149 | 1     | 4,347     | 0%            | 3,333               |
| <b>John Wycliffe House</b><br>29 Deer Park Rd                      | ★ ★ ★ ★ ★ | 11,175 | 1     | 11,175    | 80.0%         | 2,608               |
| <b>The Willow Centre</b><br>Units 6 & 7 Willow Ln                  | ★ ★ ★ ★ ★ | 41,135 | 1     | 41,135    | 40.0%         | 843                 |
| <b>Zeal House</b><br>8 Deer Park Rd                                | ★ ★ ★ ★ ★ | 62,242 | 1     | 790       | 0.3%          | 184                 |
| <b>Units 25-26</b><br>Boundary Business Court                      | ★ ★ ★ ★ ★ | 13,776 | 1     | 13,776    | 0%            | 0                   |
| <b>Units 1-3</b><br>Puma Trade Park                                | ★ ★ ★ ★ ★ | 10,972 | 2     | 3,748     | 0%            | 0                   |
| <b>Units 9-16</b><br>Mitcham Industrial Estate                     | ★ ★ ★ ★ ★ | 84,715 | 1     | 10,336    | 0%            | 0                   |
| <b>Unit 1-5</b><br>Tramlink Park                                   | ★ ★ ★ ★ ★ | 43,651 | 1     | 8,735     | 0%            | 0                   |
| <b>Units 1-15 - Windsor Park</b><br>Windsor Park Industrial Estate | ★ ★ ★ ★ ★ | 29,833 | 1     | 2,090     | 5.6%          | (2,094)             |



The industrial sector as a whole has seen rapid growth this cycle, and the Merton industrial submarket is no different. It has mirrored the wider London market trend, with rents expanding in double digits in 2016-17, before moderating the years since.

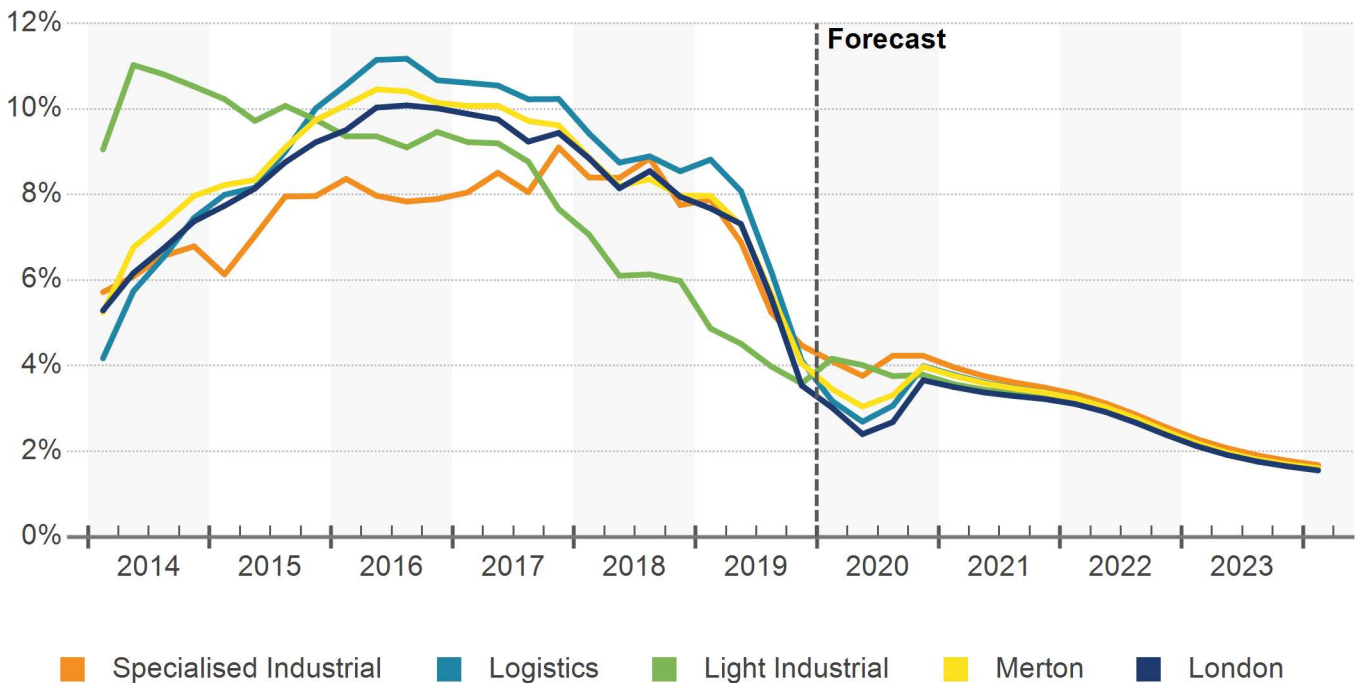
As it has been across many submarkets, logistics space has driven submarket growth this cycle, with almost three-quarters of the submarket's inventory falling into this segment. Subsequently, it follows logistics movement closely. In terms of growth, the subsector has performed well, with rents peaking north of 11% in 2016. And while it has decelerated in line with market trends, growth remains healthy. The other subsectors have fallen away more rapidly in recent quarters, with light industrial falling to an eight-year low and specialised industrial a near five-year low in 19Q4 (though both remain positive).

Rental rates, buoyed by this rapid expansion, are at all-time highs in the submarket, currently at £13.50/SF.

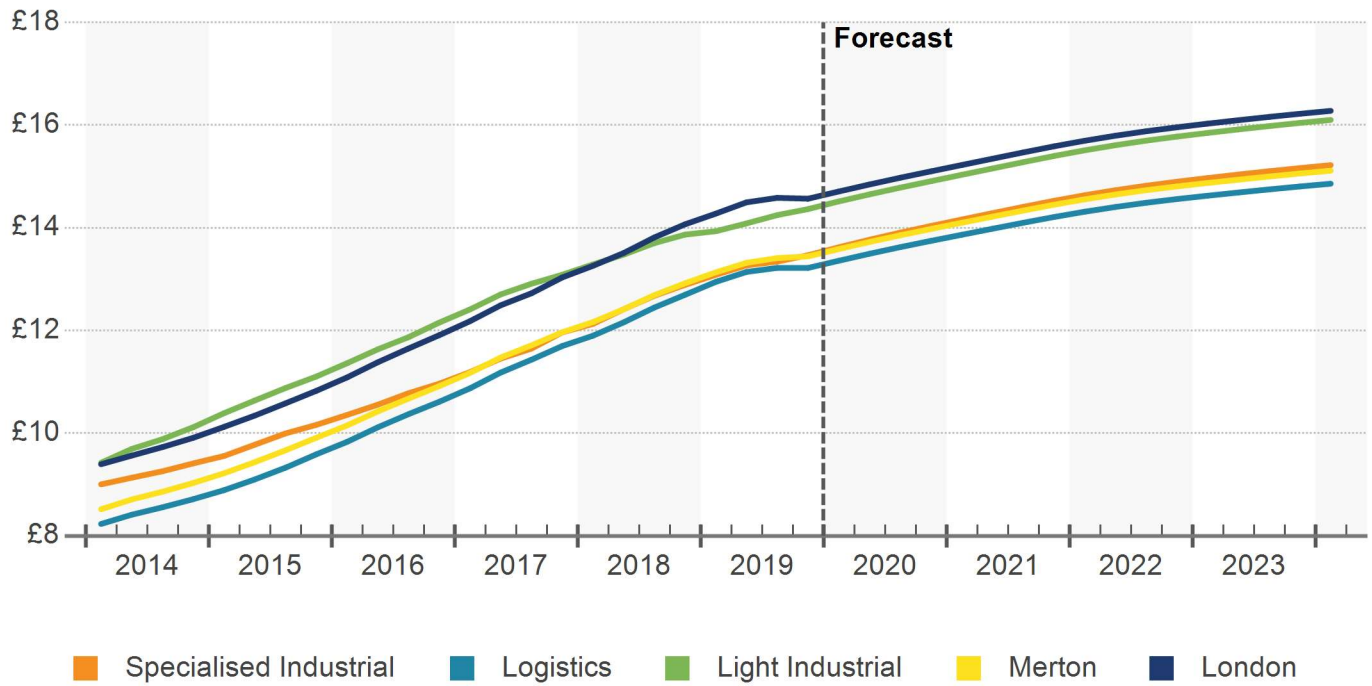
This level represents a cumulative increase of more than 50% over the past five years, but despite this, the submarket remains among the most affordable in the capital. Rents here offer a discount to neighbouring submarkets of Wandsworth, Lambeth, Sutton and Richmond & Kingston upon Thames, though it does let at a marginal premium on Croydon Submarket.

Rents for new or even older refurbished spaces have performed particularly well of late. The limited supply has enabled the Boundary Business Park (refurbished in 2014), to secure a flurry of new tenants at the top end of the rental range. These include, First Call Glazing, Henderson Fellows and Create Cocktails, all taking space this year with quoting rents around £14.50/SF. One prominent increase was a number of units at the Merton Industrial Park, which increased from £16/SF to more than £18/SF in late 19Q1. These increases reflect increasing landlord confidence amid positive supply/demand dynamics for good stock in the area.

## MARKET RENT GROWTH (YOY)



## MARKET RENT PER SQUARE FOOT



Merton contains less than 6 million SF of industrial stock, the majority of which is categorised as logistics space. The submarket's largest units are clustered in parks in Summertown, South Wimbledon and near Mitcham Junction. Notable occupiers include Sita UK, Elbrook (Cash & Carry), Homebase and Amazon.

Despite robust occupier demand and improving fundamentals in the submarket, new supply additions have been infrequent in the submarket over the past decade. Inventory has actually fallen in the five years prior to 2019, with a number of large demolitions and conversion to alternative use removing stock.

This changed earlier this year, however, with the submarket's largest new delivery in more than a decade. The 30,800-SF property, 19 Lombard Road, located in the Lombard Road Industrial Estate is currently available for lease at the top end of the market at circa £17.50/SF.

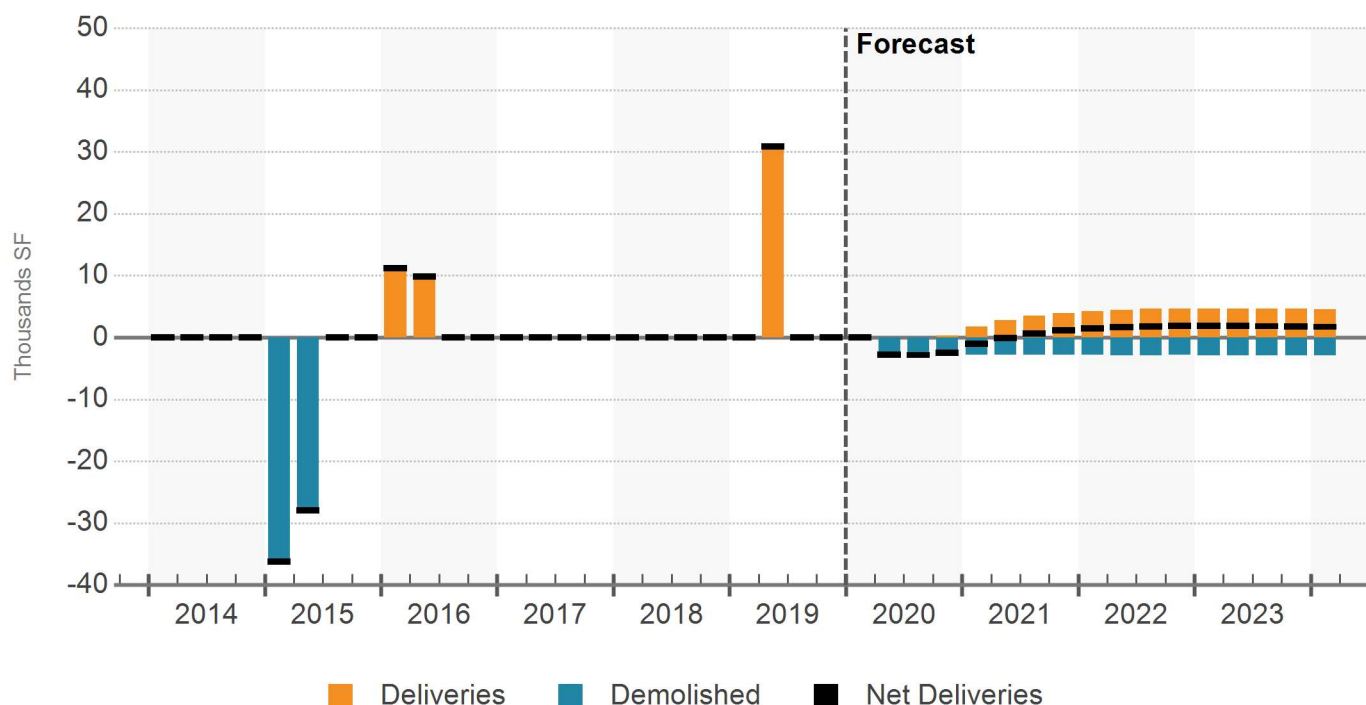
Prior this, the last new additions came following the demolition of 5-7 Lombard Road (totalling 28,000 SF)

and 29 Deer Park Road (36,200 SF) in 2015. The former was developed into 9,700 SF in 2016, and the latter, making way for John Wycliffe House (22,500 SF), delivered in 15Q3. It is currently around 50% let to Burke & Wills Removals.

Refurbishments have also been scarce in recent years, with the last notable works completing in 2014. The most notable of these were at the Macham Industrial Estate, with around 67,700 SF (built in 1974), and the Boundary Business Court, with 37,700 SF, completing extensive refurbishments that year. The latter has since seen a flurry of occupier activity at top-end rents.

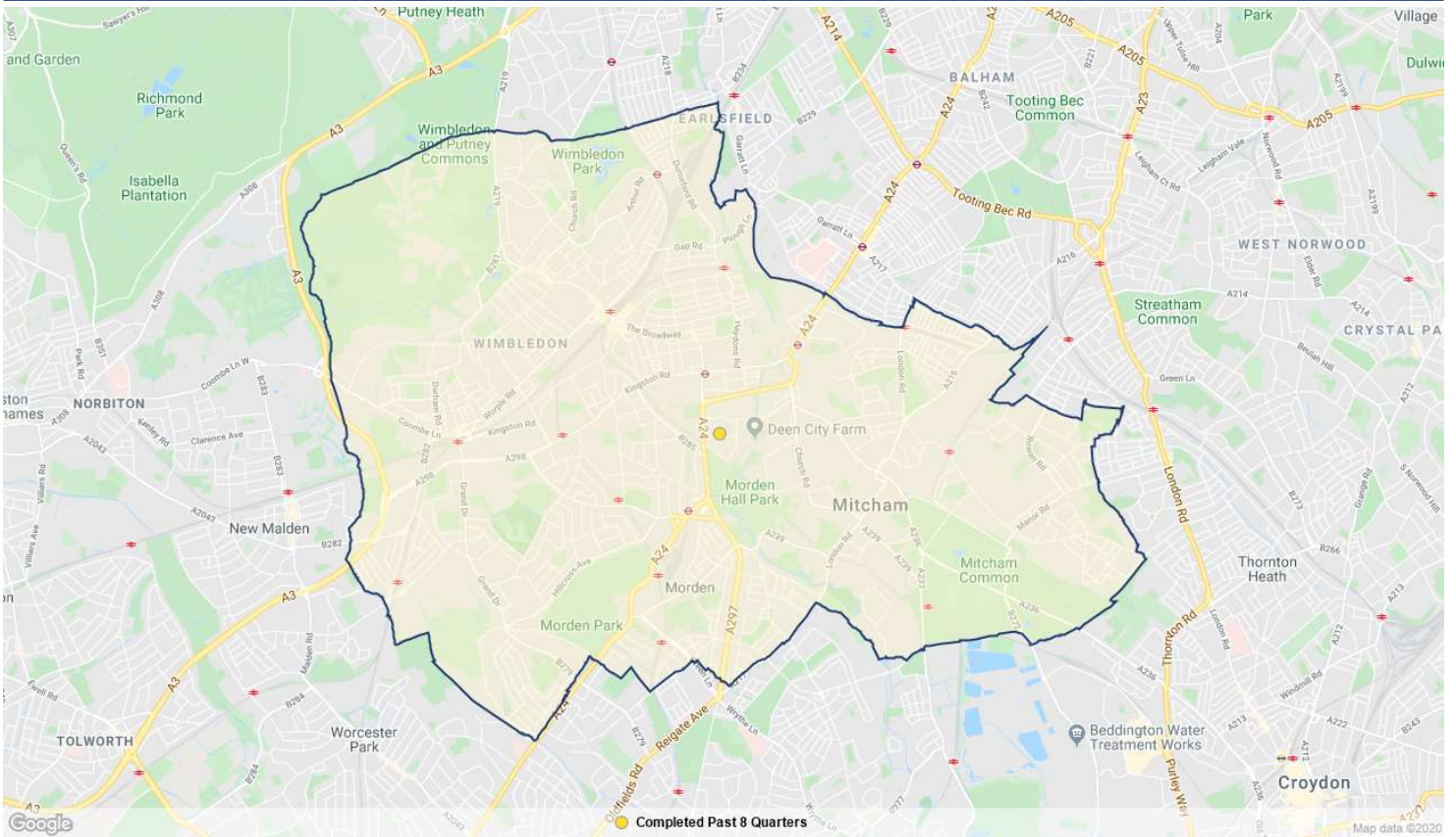
This lack of development seems likely to continue at least into the near future, with no new developments currently underway. There are also no major schemes in the proposal pipeline. This means that vacancies are unlikely to feel any upward pressure from new deliveries in the near term and could prolong robust rental growth for the near future.

### DELIVERIES & DEMOLITIONS

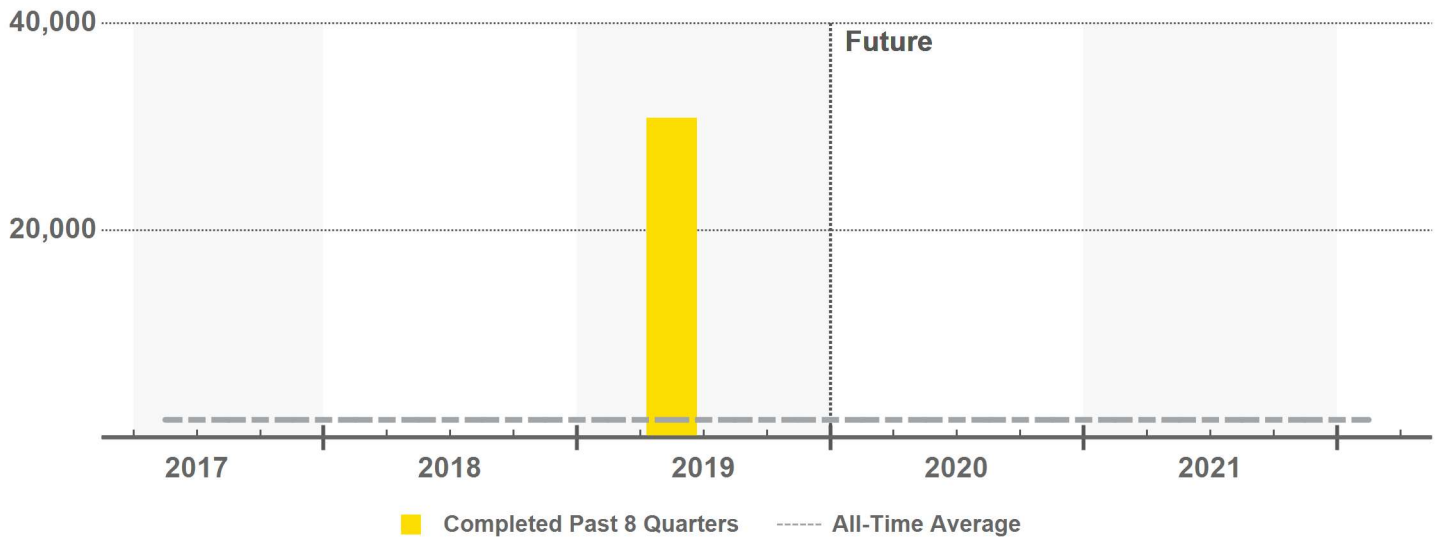


| All-Time Annual Avg. SF | Delivered SF Past 8 Qtrs | Delivered SF Next 8 Qtrs | Proposed SF Next 8 Qtrs |
|-------------------------|--------------------------|--------------------------|-------------------------|
| 6,900                   | 30,836                   | 0                        | 0                       |

### PAST 8 QUARTERS DELIVERIES, UNDER CONSTRUCTION, & PROPOSED



### PAST & FUTURE DELIVERIES IN SQUARE FEET



## RECENT DELIVERIES

| Property Name/Address           | Rating    | Bldg SF | Floors | Start    | Complete | Developer/Owner                |
|---------------------------------|-----------|---------|--------|----------|----------|--------------------------------|
| 1 <a href="#">19 Lombard Rd</a> | ★ ★ ★ ★ ★ | 30,836  | 3      | Dec-2018 | Apr-2019 | -<br>Pineapple Corporation plc |



Investment activity in Merton's industrial submarket has been strong in recent years. Since 2017, around £50 million has traded each year, including 2019 to date. These volumes represent levels more than double the submarket's historical average, with deal frequency also ramping up—reaching a cyclical high last year.

Volumes for 2019 have been underpinned by a handful of standout transactions. The most notable of these was the repeat sale of Units 4-6 at Wyvern Industrial Estate. The 50,700-SF space initially traded in January 2019 alongside neighbouring units 1-3 (44,500 SF) to Big Yellow Self Storage (who occupy the latter). This accounted for around £10.8 million of the total of £28 million, with a keen net initial yield of 3.5%, paid to Imperial Tobacco Pension Fund. The units were then sold again in late May 2019 to Threadneedle Asset Management for £11.8 million, reflecting a net initial yield of 4.8% and a premium of almost 10%.

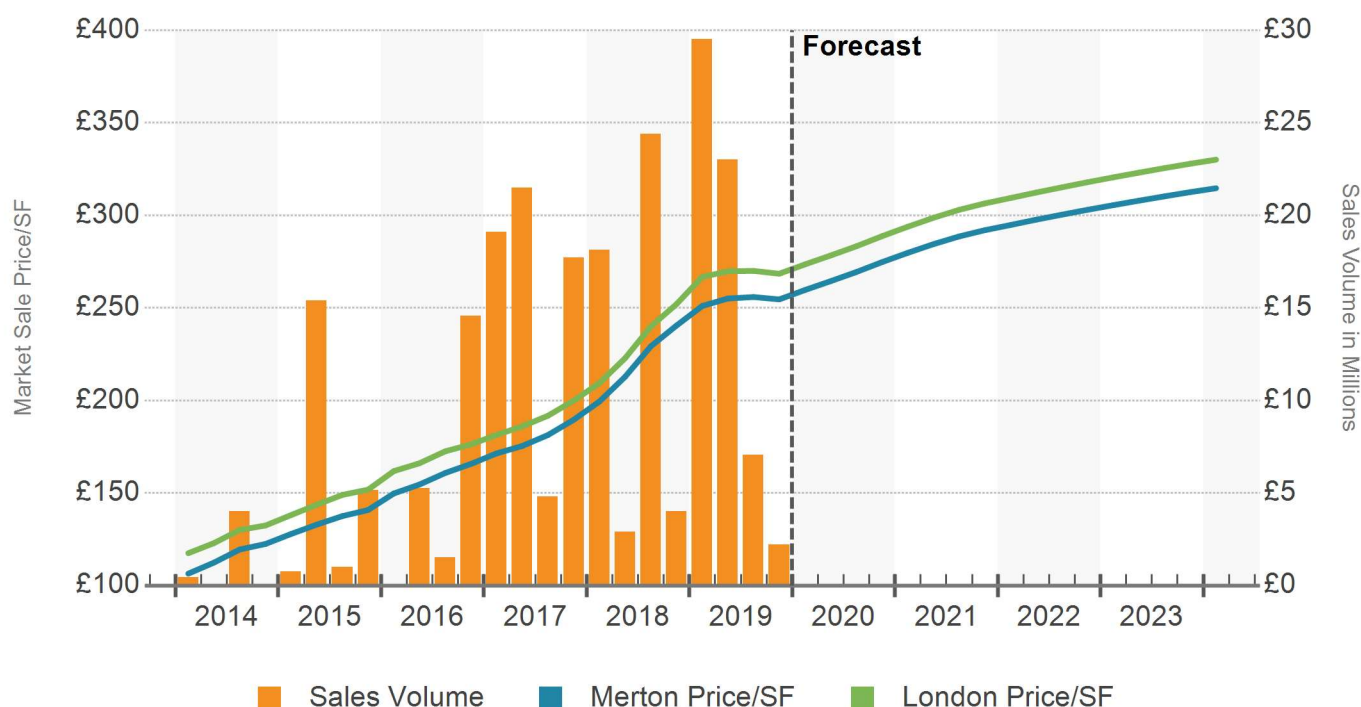
Other notable trades this year include 3-9 Willow Lane in Mitcham, which sold to Hegarty International for £7.8

million (yield 5.3%) in January, and the Astranta Business Centre on Ravensbury Terrace, which sold to Dominus for £8.8 million in February. These sales helped 19Q1 become the single strongest quarter this cycle.

As noted, investment last year also experienced robust investment. Volume was bolstered significantly with the acquisition of Haslemere Industrial Estate. Dominus Advisory Services purchased the 1.83-acre site from Savills Investment management and First Base for £19.3 million in September 2018, with the view of redeveloping the site into 129 residential units.

Another notable trade was Capital Industrial's purchased of the Connaught Business Park on Willow Lane in Mitcham in September 2018. They paid Warehouse REIT £3.9 million for the 10,700-SF property, reflecting a net initial yield of 4%. It is understood that the motivation behind the sale is part of Warehouse REIT's strategy to dispose of mature, low-yielding assets and redeploy capital into opportunities that will generate longer-term income.

### SALES VOLUME & MARKET SALE PRICE PER SF





# Sales Past 12 Months

Merton Industrial

Sale Comparables

Avg. Yield

Avg. Price/SF

Avg. Vacancy At Sale

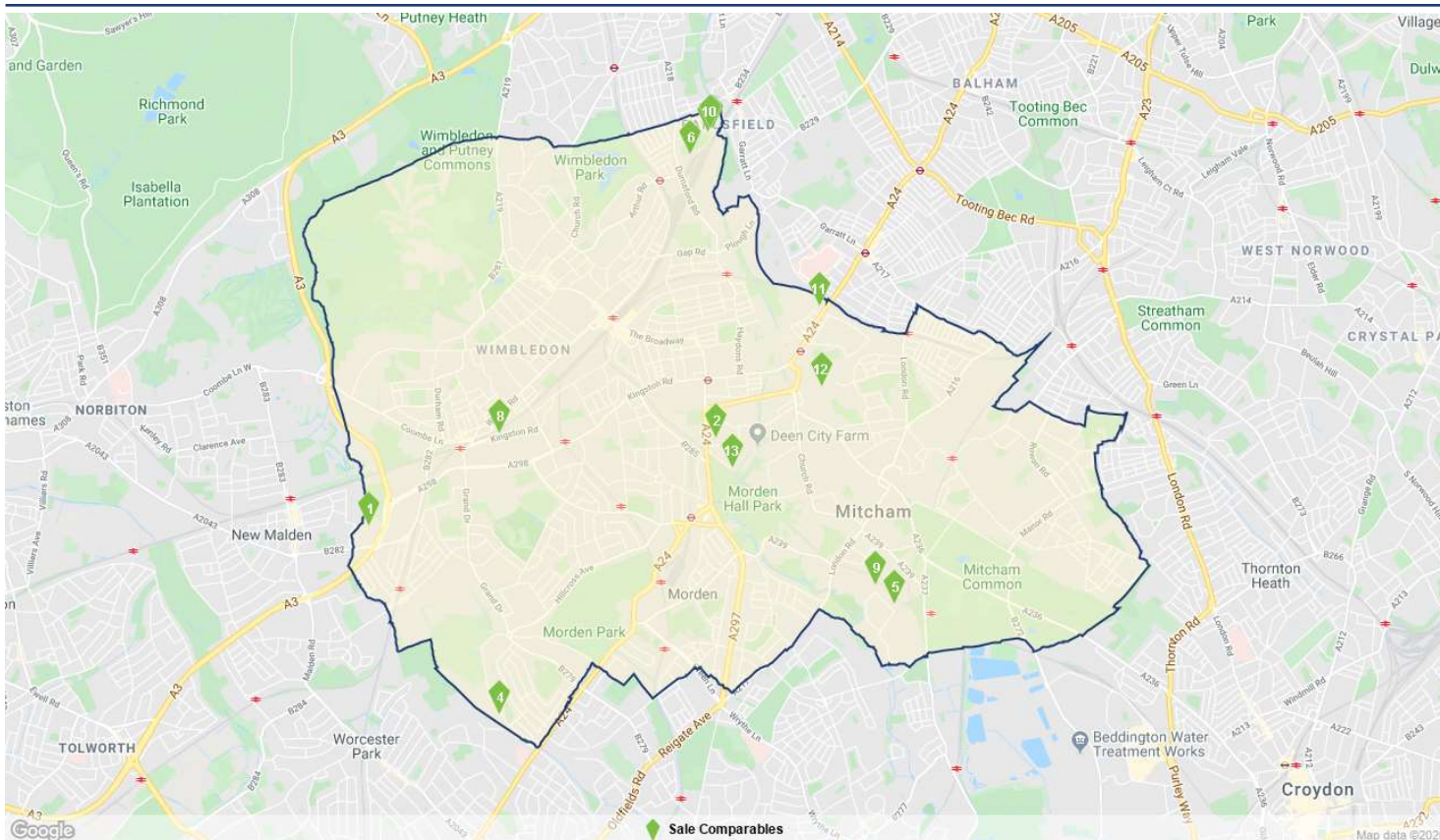
14

5.1%

£236

18.1%

## SALE COMPARABLE LOCATIONS



## SALE COMPARABLES SUMMARY STATISTICS

| Sales Attributes          | Low      | Average    | Median     | High        |
|---------------------------|----------|------------|------------|-------------|
| Sale Price                | £850,000 | £3,548,715 | £1,900,000 | £11,800,000 |
| Price Per SF              | £148     | £236       | £233       | £364        |
| Net Initial Yield         | 4.2%     | 5.1%       | 4.7%       | 7.2%        |
| Time Since Sale in Months | 2.7      | 8.5        | 8.7        | 11.7        |
| Property Attributes       | Low      | Average    | Median     | High        |
| Building SF               | 4,032    | 14,764     | 8,564      | 50,699      |
| Eaves Height              | 11'      | 23'7"      | 27'5"      | 34'         |
| Docks                     | 0        | 0          | 0          | 1           |
| Vacancy Rate At Sale      | 0%       | 18.1%      | 0%         | 100%        |
| Year Built                | 1950     | 1984       | 1984       | 2016        |
| Star Rating               | ★☆☆☆☆    | ★★★☆☆ 2.2  | ★★★★☆      | ★★★★★       |

# Sales Past 12 Months

Merton Industrial

## RECENT SIGNIFICANT SALES

| Property Name - Address                   | Property  |          |         |         | Sale       |             |          |      |
|---|-----------|----------|---------|---------|------------|-------------|----------|------|
|   | Rating    | Yr Built | Bldg SF | Vacancy | Sale Date  | Price       | Price/SF | NIY  |
| 1 Units 4 - 6<br>Beverley Way             | ★ ★ ★ ★ ★ | 2002     | 50,699  | 0%      | 22/05/2019 | £11,800,000 | £233     | 4.2% |
| 2 13-15 Lombard Rd                        | ★ ★ ★ ★ ★ | 2000     | 33,579  | 0%      | 30/04/2019 | £7,800,000  | £232     | -    |
| 3 Ravensbury Ter                          | ★ ★ ★ ★ ★ | 1993     | 15,961  | 0%      | 01/02/2019 | £5,096,215  | £319     | 4.7% |
| 4 141 Garth Rd                            | ★ ★ ★ ★ ★ | 1975     | 22,909  | 100%    | 06/09/2019 | £3,400,000  | £148     | 7.2% |
| 5 14 Wandle Way                           | ★ ★ ★ ★ ★ | 2000     | 11,909  | 0%      | 01/11/2019 | £2,200,000  | £185     | -    |
| 6 Gresham Way                             | ★ ★ ★ ★ ★ | 1994     | 5,500   | 0%      | 09/04/2019 | £2,000,000  | £364     | -    |
| 7 22 Ravensbury Ter                       | ★ ★ ★ ★ ★ | 2005     | 6,122   | 100%    | 01/02/2019 | £1,968,621  | £322     | 4.7% |
| 8 591-593 Kingston Rd                     | ★ ★ ★ ★ ★ | 1970     | 5,930   | 0%      | 03/09/2019 | £1,900,000  | £320     | -    |
| 9 5 Wandle Way                            | ★ ★ ★ ★ ★ | 1978     | 11,006  | 0%      | 10/07/2019 | £1,744,200  | £158     | -    |
| 10 22 Ravensbury Ter                      | ★ ★ ★ ★ ★ | 1989     | 4,974   | 0%      | 01/02/2019 | £1,735,164  | £349     | 4.7% |
| 11 Waterfall Gdns                         | ★ ★ ★ ★ ★ | 1961     | 4,850   | 0%      | 02/05/2019 | £1,391,667  | £287     | -    |
| 8 591-593 Kingston Rd                     | ★ ★ ★ ★ ★ | 1970     | 5,930   | 0%      | 31/01/2019 | £1,350,000  | £228     | -    |
| 12 Prince Georges Rd                      | ★ ★ ★ ★ ★ | 1950     | 4,032   | 0%      | 19/02/2019 | £850,000    | £211     | -    |
| 13 John Wycliffe House<br>29 Deer Park Rd | ★ ★ ★ ★ ★ | 2016     | 11,175  | 100%    | 03/06/2019 | -           | -        | -    |

## OVERALL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2024 | 5,639,063 | 6,596     | 0.1%     | (10,120)       | -0.2%    | -                  |
| 2023 | 5,632,467 | 7,248     | 0.1%     | (7,746)        | -0.1%    | -                  |
| 2022 | 5,625,219 | 6,655     | 0.1%     | (4,218)        | -0.1%    | -                  |
| 2021 | 5,618,564 | 608       | 0%       | (4,805)        | -0.1%    | -                  |
| 2020 | 5,617,956 | (8,092)   | -0.1%    | (17,529)       | -0.3%    | -                  |
| YTD  | 5,626,048 | 0         | 0%       | 11,175         | 0.2%     | 0                  |
| 2019 | 5,626,048 | 30,836    | 0.6%     | 50,806         | 0.9%     | 0.6                |
| 2018 | 5,595,212 | 0         | 0%       | 3,430          | 0.1%     | 0                  |
| 2017 | 5,595,212 | 0         | 0%       | 42,248         | 0.8%     | 0                  |
| 2016 | 5,595,212 | 20,971    | 0.4%     | 97,530         | 1.7%     | 0.2                |
| 2015 | 5,574,241 | (64,186)  | -1.1%    | 7,069          | 0.1%     | -                  |
| 2014 | 5,638,427 | 0         | 0%       | (14,264)       | -0.3%    | -                  |
| 2013 | 5,638,427 | 0         | 0%       | 110,302        | 2.0%     | 0                  |
| 2012 | 5,638,427 | 0         | 0%       | 101,565        | 1.8%     | 0                  |
| 2011 | 5,638,427 | 10,000    | 0.2%     | (194,979)      | -3.5%    | -                  |
| 2010 | 5,628,427 | 0         | 0%       | (82,252)       | -1.5%    | -                  |
| 2009 | 5,628,427 | -         | -        | (23,160)       | -0.4%    | -                  |

## SPECIALISED INDUSTRIAL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2024 | 578,406   | 0         | 0%       | (1,299)        | -0.2%    | -                  |
| 2023 | 578,406   | 0         | 0%       | (1,046)        | -0.2%    | -                  |
| 2022 | 578,406   | 0         | 0%       | (391)          | -0.1%    | -                  |
| 2021 | 578,406   | 0         | 0%       | 387            | 0.1%     | 0                  |
| 2020 | 578,406   | 0         | 0%       | (1,641)        | -0.3%    | -                  |
| YTD  | 578,406   | 0         | 0%       | -              | -        | -                  |
| 2019 | 578,406   | 0         | 0%       | (5,127)        | -0.9%    | -                  |
| 2018 | 578,406   | 0         | 0%       | (8,261)        | -1.4%    | -                  |
| 2017 | 578,406   | 0         | 0%       | 16,464         | 2.8%     | 0                  |
| 2016 | 578,406   | 0         | 0%       | (3,453)        | -0.6%    | -                  |
| 2015 | 578,406   | (7,847)   | -1.3%    | (2,585)        | -0.4%    | -                  |
| 2014 | 586,253   | 0         | 0%       | (19,279)       | -3.3%    | -                  |
| 2013 | 586,253   | 0         | 0%       | 19,349         | 3.3%     | 0                  |
| 2012 | 586,253   | 0         | 0%       | 12,675         | 2.2%     | 0                  |
| 2011 | 586,253   | 0         | 0%       | (23,911)       | -4.1%    | -                  |
| 2010 | 586,253   | 0         | 0%       | 8,397          | 1.4%     | 0                  |
| 2009 | 586,253   | -         | -        | 5,313          | 0.9%     | -                  |

## LOGISTICS SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2024 | 4,081,411 | 6,596     | 0.2%     | (4,604)        | -0.1%    | -                  |
| 2023 | 4,074,815 | 7,248     | 0.2%     | (2,898)        | -0.1%    | -                  |
| 2022 | 4,067,567 | 6,655     | 0.2%     | (1,142)        | 0%       | -                  |
| 2021 | 4,060,912 | 608       | 0%       | (3,827)        | -0.1%    | -                  |
| 2020 | 4,060,304 | (8,092)   | -0.2%    | (11,073)       | -0.3%    | -                  |
| YTD  | 4,068,396 | 0         | 0%       | 11,175         | 0.3%     | 0                  |
| 2019 | 4,068,396 | 30,836    | 0.8%     | 49,811         | 1.2%     | 0.6                |
| 2018 | 4,037,560 | 0         | 0%       | 15,729         | 0.4%     | 0                  |
| 2017 | 4,037,560 | 0         | 0%       | (18,037)       | -0.4%    | -                  |
| 2016 | 4,037,560 | 20,971    | 0.5%     | 107,640        | 2.7%     | 0.2                |
| 2015 | 4,016,589 | (56,339)  | -1.4%    | 15,754         | 0.4%     | -                  |
| 2014 | 4,072,928 | 0         | 0%       | 1,619          | 0%       | 0                  |
| 2013 | 4,072,928 | 0         | 0%       | 81,044         | 2.0%     | 0                  |
| 2012 | 4,072,928 | 0         | 0%       | 111,923        | 2.7%     | 0                  |
| 2011 | 4,072,928 | 10,000    | 0.2%     | (173,783)      | -4.3%    | -                  |
| 2010 | 4,062,928 | 0         | 0%       | (82,104)       | -2.0%    | -                  |
| 2009 | 4,062,928 | -         | -        | (42,084)       | -1.0%    | -                  |

## LIGHT INDUSTRIAL SUPPLY & DEMAND

| Year | Inventory |           |          | Net Absorption |          |                    |
|------|-----------|-----------|----------|----------------|----------|--------------------|
|      | SF        | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2024 | 979,246   | 0         | 0%       | (4,217)        | -0.4%    | -                  |
| 2023 | 979,246   | 0         | 0%       | (3,802)        | -0.4%    | -                  |
| 2022 | 979,246   | 0         | 0%       | (2,685)        | -0.3%    | -                  |
| 2021 | 979,246   | 0         | 0%       | (1,365)        | -0.1%    | -                  |
| 2020 | 979,246   | 0         | 0%       | (4,815)        | -0.5%    | -                  |
| YTD  | 979,246   | 0         | 0%       | -              | -        | -                  |
| 2019 | 979,246   | 0         | 0%       | 6,122          | 0.6%     | 0                  |
| 2018 | 979,246   | 0         | 0%       | (4,038)        | -0.4%    | -                  |
| 2017 | 979,246   | 0         | 0%       | 43,821         | 4.5%     | 0                  |
| 2016 | 979,246   | 0         | 0%       | (6,657)        | -0.7%    | -                  |
| 2015 | 979,246   | 0         | 0%       | (6,100)        | -0.6%    | -                  |
| 2014 | 979,246   | 0         | 0%       | 3,396          | 0.3%     | 0                  |
| 2013 | 979,246   | 0         | 0%       | 9,909          | 1.0%     | 0                  |
| 2012 | 979,246   | 0         | 0%       | (23,033)       | -2.4%    | -                  |
| 2011 | 979,246   | 0         | 0%       | 2,715          | 0.3%     | 0                  |
| 2010 | 979,246   | 0         | 0%       | (8,545)        | -0.9%    | -                  |
| 2009 | 979,246   | -         | -        | 13,611         | 1.4%     | -                  |

### OVERALL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2024 | £15.26      | 1.3%     | 13.5%        | 156,299 | 2.8%    | 0.3%     |
| 2023 | £15.06      | 1.7%     | 12.0%        | 139,256 | 2.5%    | 0.3%     |
| 2022 | £14.80      | 2.5%     | 10.1%        | 123,959 | 2.2%    | 0.2%     |
| 2021 | £14.45      | 3.4%     | 7.5%         | 112,790 | 2.0%    | 0.1%     |
| 2020 | £13.98      | 4.0%     | 4.0%         | 107,107 | 1.9%    | 0.2%     |
| YTD  | £13.45      | 0.1%     | 0.1%         | 86,388  | 1.5%    | -0.2%    |
| 2019 | £13.44      | 4.1%     | 0%           | 97,563  | 1.7%    | -0.4%    |
| 2018 | £12.92      | 8.0%     | -3.9%        | 117,533 | 2.1%    | -0.1%    |
| 2017 | £11.97      | 9.6%     | -11.0%       | 120,963 | 2.2%    | -0.8%    |
| 2016 | £10.92      | 10.1%    | -18.8%       | 163,211 | 2.9%    | -1.4%    |
| 2015 | £9.91       | 9.7%     | -26.3%       | 239,770 | 4.3%    | -1.2%    |
| 2014 | £9.03       | 8.0%     | -32.8%       | 311,025 | 5.5%    | 0.3%     |
| 2013 | £8.36       | 4.4%     | -37.8%       | 296,761 | 5.3%    | -2.0%    |
| 2012 | £8.01       | 2.9%     | -40.4%       | 407,063 | 7.2%    | -1.8%    |
| 2011 | £7.78       | 1.4%     | -42.1%       | 508,628 | 9.0%    | 3.6%     |
| 2010 | £7.68       | -0.1%    | -42.9%       | 303,649 | 5.4%    | 1.5%     |
| 2009 | £7.69       | -        | -42.8%       | 221,397 | 3.9%    | -        |

### SPECIALISED INDUSTRIAL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2024 | £15.37      | 1.4%     | 14.2%        | 20,139  | 3.5%    | 0.2%     |
| 2023 | £15.16      | 1.8%     | 12.6%        | 18,840  | 3.3%    | 0.2%     |
| 2022 | £14.90      | 2.6%     | 10.6%        | 17,794  | 3.1%    | 0.1%     |
| 2021 | £14.52      | 3.5%     | 7.9%         | 17,403  | 3.0%    | -0.1%    |
| 2020 | £14.03      | 4.2%     | 4.2%         | 17,790  | 3.1%    | 0.3%     |
| YTD  | £13.48      | 0.1%     | 0.1%         | 16,149  | 2.8%    | 0%       |
| 2019 | £13.47      | 4.5%     | 0%           | 16,149  | 2.8%    | 0.9%     |
| 2018 | £12.89      | 7.8%     | -4.3%        | 11,022  | 1.9%    | 1.4%     |
| 2017 | £11.96      | 9.1%     | -11.2%       | 2,761   | 0.5%    | -2.8%    |
| 2016 | £10.96      | 7.9%     | -18.6%       | 19,225  | 3.3%    | 0.6%     |
| 2015 | £10.16      | 8.0%     | -24.5%       | 15,772  | 2.7%    | -0.9%    |
| 2014 | £9.41       | 6.8%     | -30.1%       | 21,034  | 3.6%    | 3.3%     |
| 2013 | £8.81       | 3.9%     | -34.5%       | 1,755   | 0.3%    | -3.3%    |
| 2012 | £8.49       | 1.9%     | -37.0%       | 21,104  | 3.6%    | -2.2%    |
| 2011 | £8.33       | -0.1%    | -38.1%       | 33,779  | 5.8%    | 4.1%     |
| 2010 | £8.34       | -1.5%    | -38.0%       | 9,868   | 1.7%    | -1.4%    |
| 2009 | £8.47       | -        | -37.1%       | 18,265  | 3.1%    | -        |

### LOGISTICS RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2024 | £15.00      | 1.3%     | 13.5%        | 119,276 | 2.9%    | 0.3%     |
| 2023 | £14.80      | 1.7%     | 12.0%        | 107,749 | 2.6%    | 0.3%     |
| 2022 | £14.56      | 2.5%     | 10.1%        | 97,300  | 2.4%    | 0.2%     |
| 2021 | £14.21      | 3.4%     | 7.5%         | 89,207  | 2.2%    | 0.1%     |
| 2020 | £13.74      | 4.0%     | 4.0%         | 84,502  | 2.1%    | 0.1%     |
| YTD  | £13.22      | 0.1%     | 0.1%         | 70,239  | 1.7%    | -0.3%    |
| 2019 | £13.22      | 4.1%     | 0%           | 81,414  | 2.0%    | -0.5%    |
| 2018 | £12.70      | 8.5%     | -4.0%        | 100,389 | 2.5%    | -0.4%    |
| 2017 | £11.70      | 10.2%    | -11.5%       | 116,118 | 2.9%    | 0.4%     |
| 2016 | £10.61      | 10.7%    | -19.7%       | 98,081  | 2.4%    | -2.2%    |
| 2015 | £9.59       | 10.0%    | -27.5%       | 184,750 | 4.6%    | -1.7%    |
| 2014 | £8.72       | 7.5%     | -34.1%       | 256,843 | 6.3%    | 0%       |
| 2013 | £8.11       | 3.7%     | -38.6%       | 258,462 | 6.3%    | -2.0%    |
| 2012 | £7.82       | 2.7%     | -40.8%       | 339,506 | 8.3%    | -2.7%    |
| 2011 | £7.62       | 1.1%     | -42.4%       | 451,429 | 11.1%   | 4.5%     |
| 2010 | £7.53       | -0.2%    | -43.0%       | 267,646 | 6.6%    | 2.0%     |
| 2009 | £7.54       | -        | -42.9%       | 185,542 | 4.6%    | -        |

### LIGHT INDUSTRIAL RENT & VACANCY

| Year | Market Rent |          |              | Vacancy |         |          |
|------|-------------|----------|--------------|---------|---------|----------|
|      | Per SF      | % Growth | Vs Hist Peak | SF      | Percent | Ppts Chg |
| 2024 | £16.25      | 1.3%     | 13.2%        | 16,884  | 1.7%    | 0.4%     |
| 2023 | £16.04      | 1.7%     | 11.7%        | 12,667  | 1.3%    | 0.4%     |
| 2022 | £15.77      | 2.4%     | 9.8%         | 8,865   | 0.9%    | 0.3%     |
| 2021 | £15.40      | 3.3%     | 7.2%         | 6,180   | 0.6%    | 0.1%     |
| 2020 | £14.91      | 3.8%     | 3.8%         | 4,815   | 0.5%    | 0.5%     |
| YTD  | £14.38      | 0.1%     | 0.1%         | 0       | 0%      | 0%       |
| 2019 | £14.36      | 3.6%     | 0%           | 0       | 0%      | -0.6%    |
| 2018 | £13.87      | 6.0%     | -3.5%        | 6,122   | 0.6%    | 0.4%     |
| 2017 | £13.08      | 7.7%     | -8.9%        | 2,084   | 0.2%    | -4.5%    |
| 2016 | £12.15      | 9.5%     | -15.4%       | 45,905  | 4.7%    | 0.7%     |
| 2015 | £11.10      | 9.7%     | -22.7%       | 39,248  | 4.0%    | 0.6%     |
| 2014 | £10.12      | 10.5%    | -29.6%       | 33,148  | 3.4%    | -0.3%    |
| 2013 | £9.15       | 7.6%     | -36.3%       | 36,544  | 3.7%    | -1.0%    |
| 2012 | £8.51       | 4.3%     | -40.8%       | 46,453  | 4.7%    | 2.4%     |
| 2011 | £8.16       | 3.4%     | -43.2%       | 23,420  | 2.4%    | -0.3%    |
| 2010 | £7.89       | 0.9%     | -45.1%       | 26,135  | 2.7%    | 0.9%     |
| 2009 | £7.82       | -        | -45.6%       | 17,590  | 1.8%    | -        |



### OVERALL SALES

| Year | Completed Transactions (1) |         |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2024 | -                          | -       | -        | -           | -            | -         | £319.98                   | 384         | 4.3%  |
| 2023 | -                          | -       | -        | -           | -            | -         | £312.58                   | 375         | 4.3%  |
| 2022 | -                          | -       | -        | -           | -            | -         | £303.03                   | 363         | 4.2%  |
| 2021 | -                          | -       | -        | -           | -            | -         | £292.01                   | 350         | 4.2%  |
| 2020 | -                          | -       | -        | -           | -            | -         | £274.76                   | 329         | 4.2%  |
| YTD  | -                          | -       | -        | -           | -            | -         | £255.43                   | 306         | 4.2%  |
| 2019 | 16                         | £61.8 M | 5.5%     | £4,428,060  | £208.84      | 4.9%      | £254.62                   | 305         | 4.2%  |
| 2018 | 19                         | £49.4 M | 4.5%     | £2,971,871  | £205.99      | 4.4%      | £240.48                   | 288         | 4.1%  |
| 2017 | 19                         | £63.1 M | 7.5%     | £5,764,284  | £165.44      | 5.4%      | £189.60                   | 227         | 4.7%  |
| 2016 | 17                         | £21.3 M | 3.3%     | £2,817,500  | £123.73      | 4.9%      | £165.73                   | 199         | 4.9%  |
| 2015 | 13                         | £22.3 M | 3.4%     | £10,172,500 | £154.81      | 12.9%     | £140.87                   | 169         | 5.2%  |
| 2014 | 15                         | £4.4 M  | 2.3%     | £1,481,055  | £64.06       | 10.0%     | £122.48                   | 147         | 5.5%  |
| 2013 | 12                         | £10.5 M | 3.3%     | £2,094,900  | £170.18      | 7.6%      | £103.19                   | 124         | 6.4%  |
| 2012 | 4                          | £0.8 M  | 2.2%     | £387,500    | £7.21        | -         | £90.45                    | 108         | 6.9%  |
| 2011 | 5                          | £4.0 M  | 2.1%     | £1,327,068  | £50.59       | 5.4%      | £86.64                    | 104         | 7.1%  |
| 2010 | 9                          | £12.4 M | 5.1%     | £1,546,218  | £64.14       | 8.4%      | £78.91                    | 95          | 7.7%  |
| 2009 | 8                          | £2.7 M  | 2.4%     | £443,325    | £28.26       | -         | £83.42                    | 100         | 7.4%  |

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

### SPECIALISED INDUSTRIAL SALES

| Year | Completed Transactions (1) |         |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2024 | -                          | -       | -        | -           | -            | -         | £346.37                   | 393         | 4.2%  |
| 2023 | -                          | -       | -        | -           | -            | -         | £337.99                   | 383         | 4.1%  |
| 2022 | -                          | -       | -        | -           | -            | -         | £327.24                   | 371         | 4.1%  |
| 2021 | -                          | -       | -        | -           | -            | -         | £314.87                   | 357         | 4.0%  |
| 2020 | -                          | -       | -        | -           | -            | -         | £295.86                   | 335         | 4.0%  |
| YTD  | -                          | -       | -        | -           | -            | -         | £274.37                   | 311         | 4.0%  |
| 2019 | 2                          | £22.6 M | 17.5%    | £11,289,458 | £222.68      | 3.9%      | £273.50                   | 310         | 4.0%  |
| 2018 | 7                          | £9.4 M  | 7.4%     | £1,349,228  | £222.00      | 4.1%      | £258.63                   | 293         | 3.9%  |
| 2017 | 4                          | £5.2 M  | 3.2%     | £2,590,968  | £641.73      | 7.5%      | £203.27                   | 230         | 4.5%  |
| 2016 | -                          | -       | -        | -           | -            | -         | £177.61                   | 201         | 4.7%  |
| 2015 | 1                          | £0 M    | 0.6%     | -           | -            | -         | £148.92                   | 169         | 5.1%  |
| 2014 | 2                          | £0 M    | 0.2%     | -           | -            | -         | £128.54                   | 146         | 5.4%  |
| 2013 | 2                          | £1.0 M  | 1.1%     | £487,250    | £152.41      | -         | £104.48                   | 118         | 6.4%  |
| 2012 | -                          | -       | -        | -           | -            | -         | £93.17                    | 106         | 6.9%  |
| 2011 | -                          | -       | -        | -           | -            | -         | £89.34                    | 101         | 7.1%  |
| 2010 | 2                          | £0.9 M  | 3.2%     | £427,675    | £45.95       | -         | £83.39                    | 95          | 7.6%  |
| 2009 | 2                          | £0.5 M  | 2.6%     | £265,000    | £35.35       | -         | £88.21                    | 100         | 7.3%  |

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

### LOGISTICS SALES

| Year | Completed Transactions (1) |         |          |             |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|-------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price   | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2024 | -                          | -       | -        | -           | -            | -         | £322.07                   | 383         | 4.3%  |
| 2023 | -                          | -       | -        | -           | -            | -         | £314.73                   | 375         | 4.2%  |
| 2022 | -                          | -       | -        | -           | -            | -         | £305.23                   | 363         | 4.2%  |
| 2021 | -                          | -       | -        | -           | -            | -         | £294.27                   | 350         | 4.1%  |
| 2020 | -                          | -       | -        | -           | -            | -         | £276.88                   | 330         | 4.1%  |
| YTD  | -                          | -       | -        | -           | -            | -         | £257.29                   | 306         | 4.1%  |
| 2019 | 7                          | £24.9 M | 3.9%     | £5,173,550  | £169.87      | 6.2%      | £256.47                   | 305         | 4.1%  |
| 2018 | 12                         | £40.0 M | 5.2%     | £4,233,927  | £202.54      | 5.0%      | £241.96                   | 288         | 4.0%  |
| 2017 | 12                         | £53.1 M | 8.5%     | £6,887,272  | £163.96      | 3.8%      | £190.60                   | 227         | 4.7%  |
| 2016 | 5                          | £12.3 M | 3.4%     | £3,066,250  | £92.65       | 4.9%      | £166.50                   | 198         | 4.8%  |
| 2015 | 7                          | £17.2 M | 3.0%     | £15,410,000 | £167.71      | -         | £141.90                   | 169         | 5.2%  |
| 2014 | 8                          | £0.8 M  | 1.3%     | £415,000    | £32.28       | 10.0%     | £123.41                   | 147         | 5.5%  |
| 2013 | 9                          | £9.5 M  | 4.1%     | £3,166,667  | £172.24      | 7.6%      | £104.00                   | 124         | 6.3%  |
| 2012 | 3                          | £0.8 M  | 2.8%     | £387,500    | £7.21        | -         | £91.38                    | 109         | 6.9%  |
| 2011 | 5                          | £4.0 M  | 2.8%     | £1,327,068  | £50.59       | 5.4%      | £87.53                    | 104         | 7.0%  |
| 2010 | 5                          | £9.1 M  | 5.3%     | £2,274,848  | £75.99       | 7.6%      | £79.55                    | 95          | 7.7%  |
| 2009 | 5                          | £2.1 M  | 2.2%     | £532,488    | £26.91       | -         | £83.99                    | 100         | 7.4%  |

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

### LIGHT INDUSTRIAL SALES

| Year | Completed Transactions (1) |         |          |            |              |           | Market Pricing Trends (2) |             |       |
|------|----------------------------|---------|----------|------------|--------------|-----------|---------------------------|-------------|-------|
|      | Deals                      | Volume  | Turnover | Avg Price  | Avg Price/SF | Avg Yield | Price/SF                  | Price Index | Yield |
| 2024 | -                          | -       | -        | -          | -            | -         | £295.70                   | 378         | 4.5%  |
| 2023 | -                          | -       | -        | -          | -            | -         | £288.62                   | 369         | 4.5%  |
| 2022 | -                          | -       | -        | -          | -            | -         | £279.57                   | 357         | 4.4%  |
| 2021 | -                          | -       | -        | -          | -            | -         | £269.13                   | 344         | 4.4%  |
| 2020 | -                          | -       | -        | -          | -            | -         | £253.49                   | 324         | 4.4%  |
| YTD  | -                          | -       | -        | -          | -            | -         | £236.55                   | 302         | 4.4%  |
| 2019 | 7                          | £14.3 M | 4.9%     | £2,041,667 | £299.00      | 4.7%      | £235.79                   | 301         | 4.4%  |
| 2018 | -                          | -       | -        | -          | -            | -         | £223.63                   | 286         | 4.3%  |
| 2017 | 3                          | £4.8 M  | 5.9%     | £4,250,000 | £97.16       | 5.2%      | £177.41                   | 227         | 5.0%  |
| 2016 | 12                         | £9.0 M  | 5.0%     | £2,320,000 | £227.42      | -         | £155.50                   | 199         | 5.2%  |
| 2015 | 5                          | £5.2 M  | 6.7%     | £4,935,000 | £123.27      | 12.9%     | £131.87                   | 169         | 5.6%  |
| 2014 | 5                          | £3.6 M  | 7.4%     | £3,613,164 | £82.77       | -         | £115.06                   | 147         | 5.7%  |
| 2013 | 1                          | £0 M    | 1.5%     | -          | -            | 7.6%      | £99.07                    | 127         | 6.5%  |
| 2012 | 1                          | £0 M    | 1.1%     | -          | -            | -         | £84.95                    | 109         | 7.2%  |
| 2011 | -                          | -       | -        | -          | -            | -         | £81.35                    | 104         | 7.4%  |
| 2010 | 2                          | £2.4 M  | 5.6%     | £1,207,500 | £44.32       | 10.0%     | £73.62                    | 94          | 8.1%  |
| 2009 | 1                          | £0 M    | 3.4%     | -          | -            | -         | £78.21                    | 100         | 7.8%  |

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.



Forecast report

# London's Economic Outlook: Autumn 2021

## The GLA's medium-term planning projections

December 2021



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## 1. Executive summary

GLA Economics' 39<sup>th</sup> London forecast<sup>1</sup> suggests that:

- London's real Gross Value Added (GVA) growth rate is forecast to be 6.4% this year due to the recovery from the COVID-19 crisis. This growth rate is expected to fall slightly to 5.0% in 2022 before moderating to 3.1% in 2023.
- London is forecast to see a modest rise in the number of workforce jobs<sup>2</sup> in 2021 (0.2% in annual terms) although this will recover in 2022 (2.1%) before easing off in 2023 (1.2%).
- Similarly to GVA, London's household income and expenditure are both forecast to grow in all years of the forecast period.

Table 1.1 summarises this report's forecast growth rates for GVA, jobs, household expenditure, and household income. Given the unprecedented uncertainty resulting from the current COVID-19 crisis, the forecasts presented in this document should be interpreted as a projection of our reference scenario – i.e., the most likely scenario under GLA Economics' criterion – for London's economy in the medium-term.

**Table 1.1: Summary of economic forecasts under GLA Economics reference scenario**

| Annual growth rates (per cent)                             | 2020 <sup>3</sup> | 2021  | 2022 | 2023 |
|--|-------------------|-------|------|------|
| London GVA (constant 2018, £ billion)                      | -7.1%             | 6.4%  | 5.0% | 3.1% |
| <i>Consensus (average of independent forecasts)</i>        |                   | 6.1%  | 5.6% | 2.3% |
| London workforce jobs                                      | -2.1%             | 0.2%  | 2.1% | 1.2% |
| <i>Consensus (average of independent forecasts)</i>        |                   | -0.4% | 1.6% | 1.5% |
| London household expenditure (constant 2018, £ billion)    | -11.2%            | 6.0%  | 7.1% | 2.4% |
| <i>Consensus (average of independent forecasts)</i>        |                   | 5.1%  | 6.3% | 2.5% |
| London household income (constant 2018, £ billion)         | 1.4%              | 1.0%  | 0.5% | 2.6% |
| <i>Memo: Projected UK RPI<sup>4</sup> (Inflation rate)</i> | 1.5%              | 3.7%  | 5.2% | 3.7% |
| <i>Projected UK CPI<sup>5</sup> (Inflation rate)</i>       | 0.8%              | 2.4%  | 4.0% | 2.6% |

Source: GLA Economics' Autumn 2021 forecast

The UK economy is still recovering from the historic economic crisis of the COVID-19 pandemic. In July the Government lifted the unprecedented restrictions on freedom of movement and economic activity imposed over the previous year and in particular after the spike in infections that started in December 2020. The impact of the first lockdown and subsequent easing are covered in the Autumn 2020 LEO<sup>6</sup>. The Spring 2021

<sup>1</sup> The forecast is based on judgements and a recently updated econometric model built by GLA Economics. For more details see 'The new GLA Economics forecast models for London's economy, GLAE Working Paper n°98, June 2020'.

<sup>2</sup> Unless stated otherwise, any reference to jobs in the main text refers to workforce jobs.

<sup>3</sup> Historic data for London's real GVA and workforce jobs are based on ONS actual data, while household spending and household income are based on GLA Economics forecast data.

<sup>4</sup> RPI = Retail Price Index. Although not part of the GLA Economics forecast for London. Instead the consensus forecasts provided by HM Treasury are reported here. See: HM Treasury (2021). '[Forecasts for the UK economy: a comparison of independent forecasts](#)', November 2021. Data for 2020 is from the ONS and GLAE estimates, [Inflation and price indices - Office for National Statistics](#).

<sup>5</sup> CPI = Consumer Price Index. Although not part of the GLA Economics forecast for London. Instead the consensus forecasts provided by HM Treasury are reported here. See: HM Treasury (2021). '[Forecasts for the UK economy: a comparison of independent forecasts](#)', November 2021. Data for 2020 is from the ONS and GLAE estimates, [Inflation and price indices - Office for National Statistics](#). Since December 2003, the Bank of England's symmetrical inflation target is annual CPI inflation at 2%.

<sup>6</sup> GLA Economics (2020). '[London's Economic Outlook: Autumn 2020](#)'. 7 December 2020.



LEO<sup>7</sup> covers the second and third lockdowns. Further, more limited, restrictions, have been introduced at the end of November 2021, and early December, to tackle the Omicron variant of the Coronavirus. At the time of writing it is believed this variant spreads more rapidly than the Delta variant, although its impact on hospitalisation rates is not well known. Other things equal an increase in prevalence of the virus will increase hospitalisations, and so the Government has introduced restrictions which will impact adversely on leisure activities, and other sectors such as Real estate and Construction. The forecast has been produced on the basis that there will be no further restrictions, and that, reflecting the experience of earlier restrictions, there will be minimal effects on other sectors. It is a downside risk to the central scenario that the Government may introduce further restrictions.

The ongoing global pandemic is a major negative economic shock the size of which has not been seen in centuries. After contracting by 19.6% in the second quarter of 2020 the UK economy grew in the second half of 2020 despite a second lockdown before contracting by 1.4% in the first quarter of 2021 following a third lockdown according to the Office for National Statistics (ONS)<sup>8</sup>. Following another recovery UK GDP remained, by Q3, 2.1% below its pre-pandemic level<sup>9</sup>. The Accommodation and food services sector recovered strongly over the most recent period so that it had recovered its pre-pandemic level of output. While, this is also true of much of the rest of the economy, there were other parts which were still struggling such as Arts, entertainment and recreation, Transportation and storage and Other services which were still 5%, 10% and 20% below their pre-pandemic levels of output respectively. Jobs have been lost during this downturn, but given the size of the decline in GDP the rise in UK unemployment has been contained so far, with the unemployment rate rising to 5.2% in the last quarter of 2020, before declining to 4.3% in the third quarter of this year<sup>10</sup>. This is due largely to the Government's Coronavirus Job Retention Scheme, commonly known as the furlough scheme, which finished at the end of September 2021. In London there were 231,000 employments furloughed at 30 September 2021, the highest take up rate in the UK. It is likely that there have been relatively small job losses after the end of the furlough – in October London resident payrolled employees continued to rise, although they still remained 0.6% below pre-pandemic (February 2020) levels<sup>11</sup>. Public finances have also deteriorated markedly. The Government has spent £378bn in direct support to the economy since March 2020<sup>12</sup>.

The unprecedented measures introduced by the Government to support the economy through the pandemic, and described in the Spring 2021 London's Economic Outlook (LEO)<sup>13</sup>, have mostly unwound. The quantitative easing and lowering of interest rates by the Bank of England remain mostly in place, although gentle interest rate rises are expected to counter rising inflation, and bring it back to a stable path. Most forecasters have the view that these measures have had a positive impact on economic activity, although concerns remain for the long-term prospects of the economy, as [Box 3.1](#) discusses at more length. There has been a rapid recovery in the economy this year, supported by a successful vaccine roll-out, and the Bank of England (BoE) expects it to return to pre-pandemic levels in the first quarter of next year<sup>14</sup>. However, there are risks to the economy from rising inflation, job market mismatches, and supply chain disruption. The prospect of long-term economic scarring caused by the pandemic cannot be discounted, and the Office for Budget Responsibility (OBR) has estimated this at 2% of GDP<sup>15</sup>.

<sup>7</sup> GLA Economics (2021). '[London's Economic Outlook: Spring 2021](#)'. 25 May 2021.

<sup>8</sup> ONS (2021). '[GDP first quarterly estimate, UK: July to September 2021](#)'. 11 November 2021. ONS publishes more timely monthly GDP estimates, but as they are a less complete measure they have not been reported here.

<sup>9</sup> Ibid.

<sup>10</sup> ONS (2021). '[Labour market overview, UK](#)'. 16 November 2021.

<sup>11</sup> Ibid.

<sup>12</sup> HM Treasury (2021). '[Autumn Budget and Spending Review 2021 documents](#)'. 27 October 2021.

<sup>13</sup> GLA Economics (2021). '[London's Economic Outlook: Spring 2021](#)'. 25 May 2021.

<sup>14</sup> BoE (2021). '[Monetary Policy Report – November 2021](#)'. 4 November 2021.

<sup>15</sup> OBR (2021). '[Economic and fiscal outlook – October 2021](#)'. 27 October 2021.

Looking at London, our forecasts and the available economic indicators up to the point of writing suggest that the downturn in economic output is slightly less negative than the national one in this crisis<sup>16</sup>. However, the rise in unemployment in the capital has been significantly higher than at a national level. The unemployment rate in the capital started to rise from 4.3% in Q4 2019 to 7.2% in the last quarter of 2020, falling to 5.6% in the third quarter of 2021. Although the full effects of the withdrawal of government support schemes is not yet known the picture on indicators is generally positive despite challenging economic circumstances. All PMIs – business activity, new business, and employment – have stood at positive levels since March 2021 indicating growth after experiencing historic falls in 2020. House price expectations have remained positive and house prices have continued to rise, while there are tentative signs of some improvement in consumer confidence – despite being negative since the start of the crisis it has been positive in a couple of months since the Spring. Given this background, the GLA Economics reference scenario for London sees London's output recovering markedly this year and into next year before growth slows in 2023. The recovery in employment is expected to be slower than in output (see Figures 1.1 & 1.2 and [Chapter 5](#) for more detail). In particular, the forecast is for real GVA in London to return to its pre-crisis levels – i.e., Q4 2019 – in Q1 2022 while workforce jobs will take until early 2023 to return to its pre-crisis levels (Figure 1.3). Our forecast assumes that some of London's local characteristics might become a comparative advantage in this crisis. Specifically, some of London's main sectors – Financial services, Real Estate, Professional & technical activities and Information & communications activities – have been hit less severely by lockdown restrictions and have a relative greater proportion of workers being able to work from home. However, these positive effects might be offset by other features such as the high reliance of London workers on public transport – who may be reluctant to use transport at pre-pandemic levels – and a very negative shock in terms of tourism and international students in the capital. There may also be a large and persistent negative shock for certain sectors such as Accommodation & food services, Arts, entertainment & recreation, Transportation and storage, and Other services – the loss of commuting and tourism to the capital is likely to mean that the Accommodation and food services sector has not recovered to the degree it has for the UK.

The expected path for recovery of both London and the UK economies is tied to a high level of uncertainty linked to the incidence and health impact of the Coronavirus. The unknown effects of the Omicron variant as it spreads around the globe heightens this uncertainty. The strength of the recovery this year after a successful vaccine roll-out demonstrates that it is a public health crisis rather than an economic crisis – although the downside risks of the economic dimensions of rising inflation, job mismatches, and supply chain blockages are increasingly becoming apparent, as set out in [Box 3.1](#). There remains a risk until there is immunity across the world from the spread of further new variants.

Beyond this, another risk to the UK economy (and therefore to this forecast) continues to be the impact of Brexit. There has been an acrimonious start to the implementation of the Trade and Cooperation Agreement (TCA), and there are other areas where disputes might flare up, which without careful management might lead to a trade war. The agreement does not cover the service sector, which represents 90% of London's economy. Given the importance of London's service exports to the EU, the UK's future relationship with the block in this regard will have a significant impact on London's economic outlook. The introduction of non-tariff barriers (NTBs) may well also affect London's export-oriented service sectors in the long term, with evidence at a national level of their short-term disruption. Adverse effects from the restructuring of the economy are likely to continue over a period of years – the Office for Budget Responsibility (OBR) reports<sup>17</sup> using trade data for this year that the long-term negative impact of Brexit on the economy may be 4% lower

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<sup>16</sup> GLA Economics has been using ONS quarterly regional GDP estimates as its preferred measure for the state of London's output. This data is available to Q1 2021. In the last few months the ONS has released model-based early estimates of regional gross value added in the regions of England and Wales which is available to Q3 2021. This data is experimental and less established.

<sup>17</sup> OBR (2021). '[Economic and fiscal outlook – October 2021](#)'. October 2021.

output than against a base case of EU membership. For businesses that are also facing COVID-19, Brexit further increases costs both in domestic and overseas markets ([Box 3.2](#) says more on these issues).

The other main UK risk is to the public finances from the borrowing needed to support public services and the economy through the COVID-19 crisis. As the Bank of England (BoE) has lowered interest rates and kept them low since last year, debt servicing costs are lower than they were prior to the pandemic. Inflationary pressures are expected to result in the BoE raising interest rates, and if this continued debt financing costs may become unsustainable. This would be exacerbated if there were another shock to the economy. The Government would need to reduce spending, raise taxes, or both, with adverse effects for economic growth and investment. This brings with it a risk of stagflation of low growth and high inflation. Although it should be noted at the moment the expectation is for interest rates to rise gradually with this having a limited impact on debt financing costs.

Outside of COVID-19 and the ongoing fall out from Brexit, other global risks continue with potential effects on London's economy. Firstly, there is a serious possibility of an increase in global protectionism which could be damaging to trade flows, or there might be a contraction of supply chains to make them more resilient. Secondly, the UK's labour productivity growth remains weak and it is not expected to improve in the medium term due to the current crises and may be further damaged by long-term scarring from the pandemic. Thirdly, although geopolitical risks are generally lower, an intensification of the current regional conflicts in the world cannot be discarded. Finally, the international economic context remains highly volatile at this moment as well. Structural problems and macroeconomic imbalances remain in the Eurozone and the pandemic may speed up the manifestation of negative consequences.

The COVID-19 crisis is damaging for all economies. The US reached its highest unemployment rate since at least the start of World War 2, in April 2020<sup>18</sup> but has since fallen back as growth resumed, although it remains above pre crisis levels while the Federal Reserve has stimulated the economy with the most expansionary monetary policy ever seen. All of which indicates the size of the current crisis in the advanced economies, although this has eased since the end of last year for some of them. Inflation is also prevalent across the major economies, rising on an annual basis to 5.2% in Germany<sup>19</sup>, and 6.8% in the US<sup>20</sup> in November. Meanwhile, emerging market economies face problems around the availability of vaccine supplies and new COVID-19 variants.

There remains a very high degree of uncertainty about the future path of the economy at the current moment. In response GLA Economics has developed and continues to use macroeconomic scenarios<sup>21</sup> which have been updated regularly to maintain an up-to-date view on how the economy is evolving. What is clear is that the recovery will take place over a few years. GLA Economics has also developed alternative scenarios on which it reports which are shown in [Chapter 5](#).

In conclusion, the global economic environment remains extremely uncertain due to the ongoing COVID-19 outbreak (as shown in the evolution of our London Forecast (Figures 1.4 & 1.5)). There was a historically unprecedented drop in London's output last year but growth is expected to be strong this year (Figure 1.1). Most forecasters expect a continued bounce back into 2022, thus returning to pre-crisis levels in the medium-term (Figure 1.3). The effectiveness of the unprecedented fiscal and monetary policies put in place by national and international public authorities are mitigating some of the negative economic effects of the pandemic especially in terms of employment (Figure 1.2). All sectors should see a recovery although Accommodation and food services, Transportation and storage, Other services, and Arts, entertainment, and

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<sup>18</sup> US Bureau of Labor Statistics (2021). '[Employment Situation Summary](#)'. 7 May 2021.

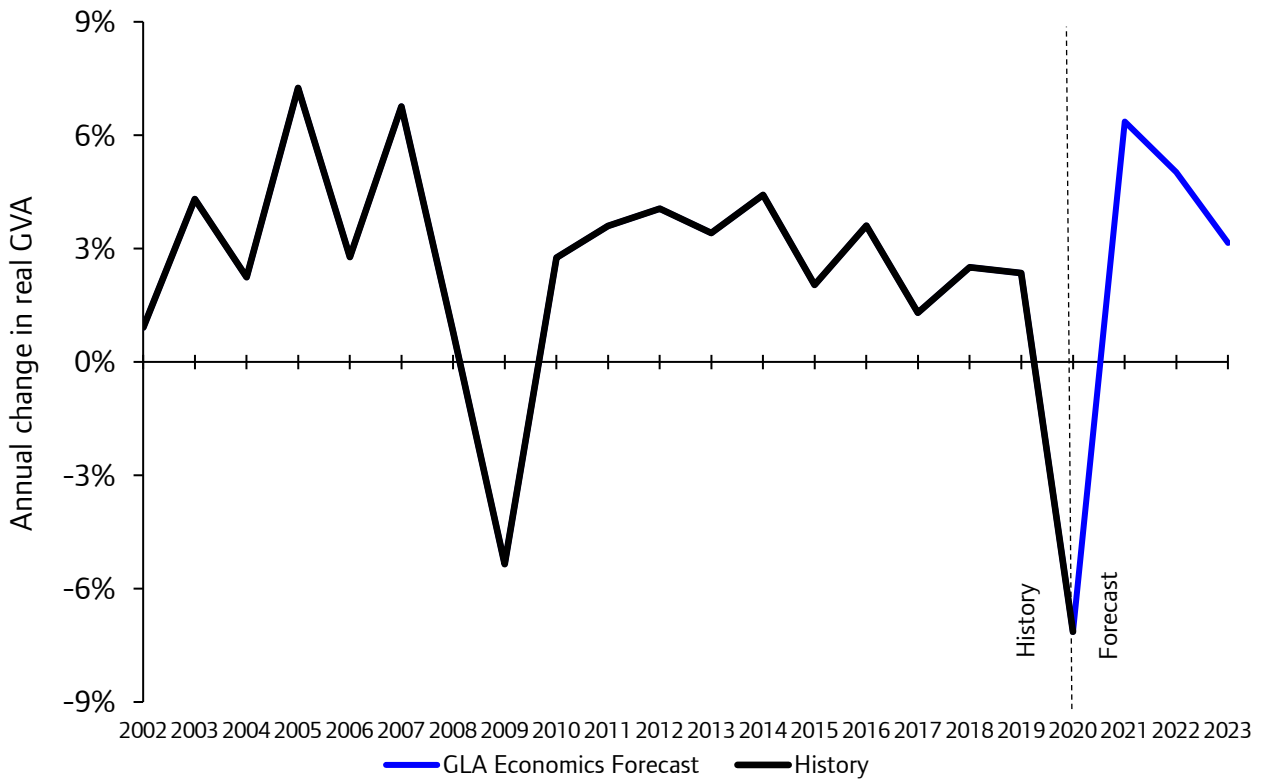
<sup>19</sup> Statistisches Bundesamt (2021). '[Consumer Price Index](#)'. 10 December 2021.

<sup>20</sup> US Bureau of Labor Statistics (2021). '[Consumer Price Index](#)'. 10 December 2021.

<sup>21</sup> London Datastore (2021). '[Macroeconomic scenarios for London's economy post COVID-19](#)'.

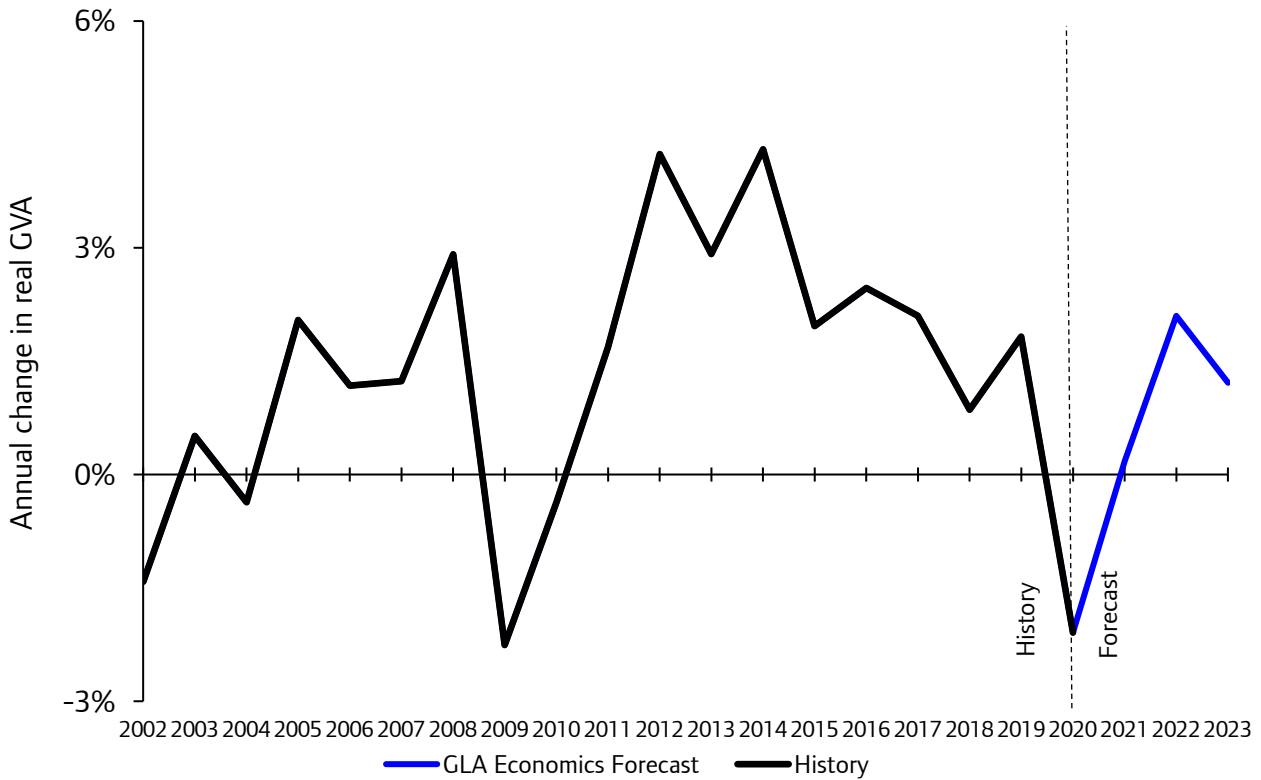
recreation will most likely continue to be the worst hit as they are the most affected by social distancing which is likely to continue in some form for part of the coming year at least. London and the UK economies have become more resilient in mitigating the economic effects of worsening COVID-19 caseloads, so the recovery in 2021 is likely to continue into 2022. However, it can be anticipated that London's economy will not recover its previous 'normality' until the global vaccination process is well advanced.

**Figure 1.1: Historic and forecast output growth for London (GLA Economics reference scenario)**



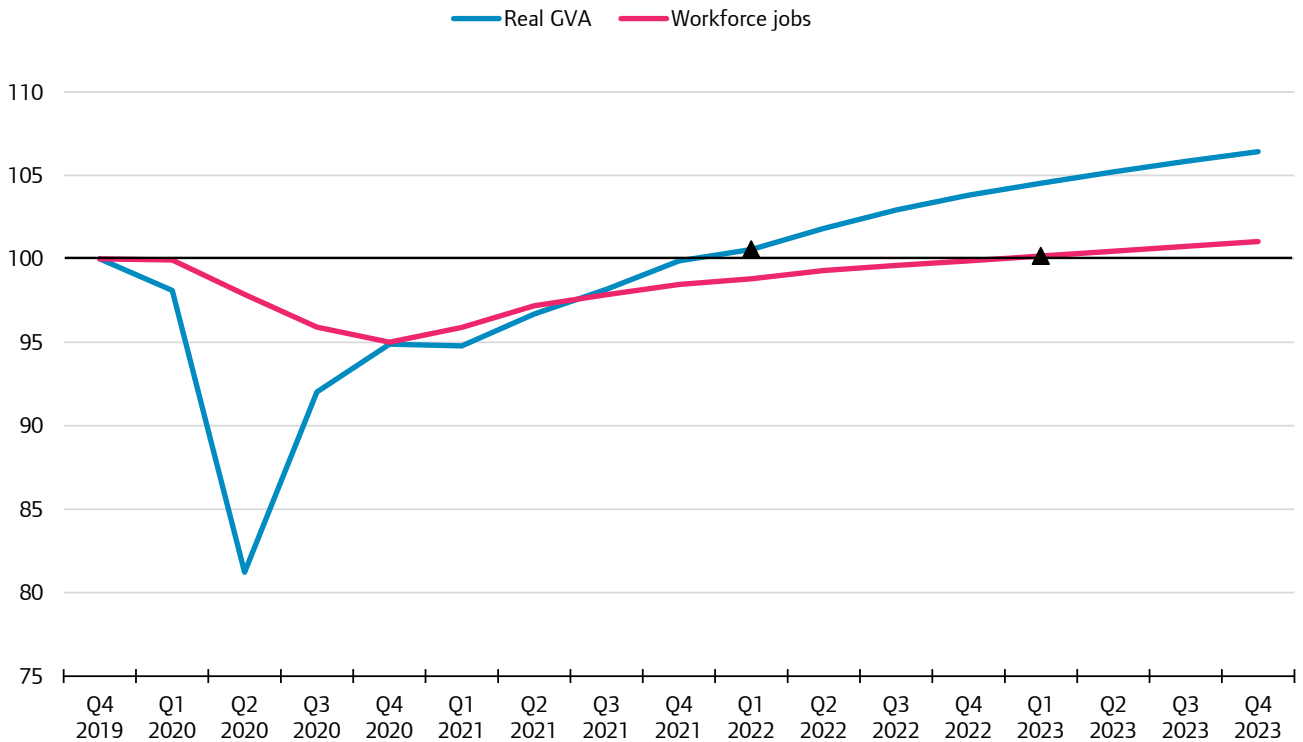
Source: GLA Economics estimates for historic data and GLA Economics' calculations for forecast

**Figure 1.2: Historic and forecast employment growth for London (GLA Economics reference scenario)**



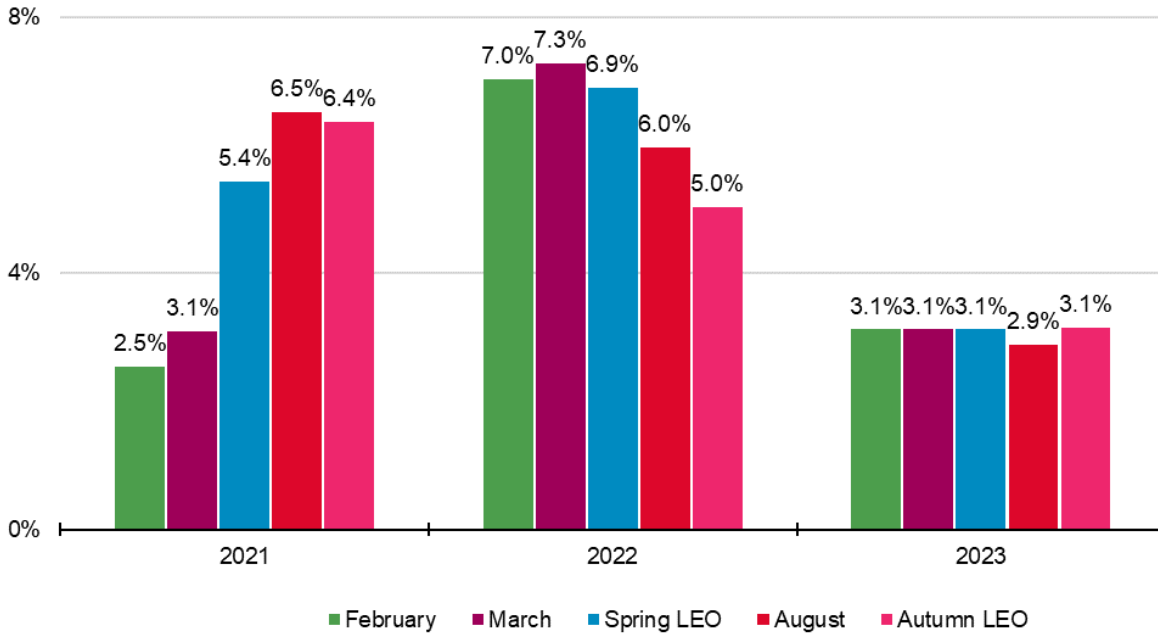
Source: GLA Economics estimates for historic data and GLA Economics' calculations for forecast

**Figure 1.3: Expected shape of the economic recovery for London under the GLA Economics reference scenario (index)**



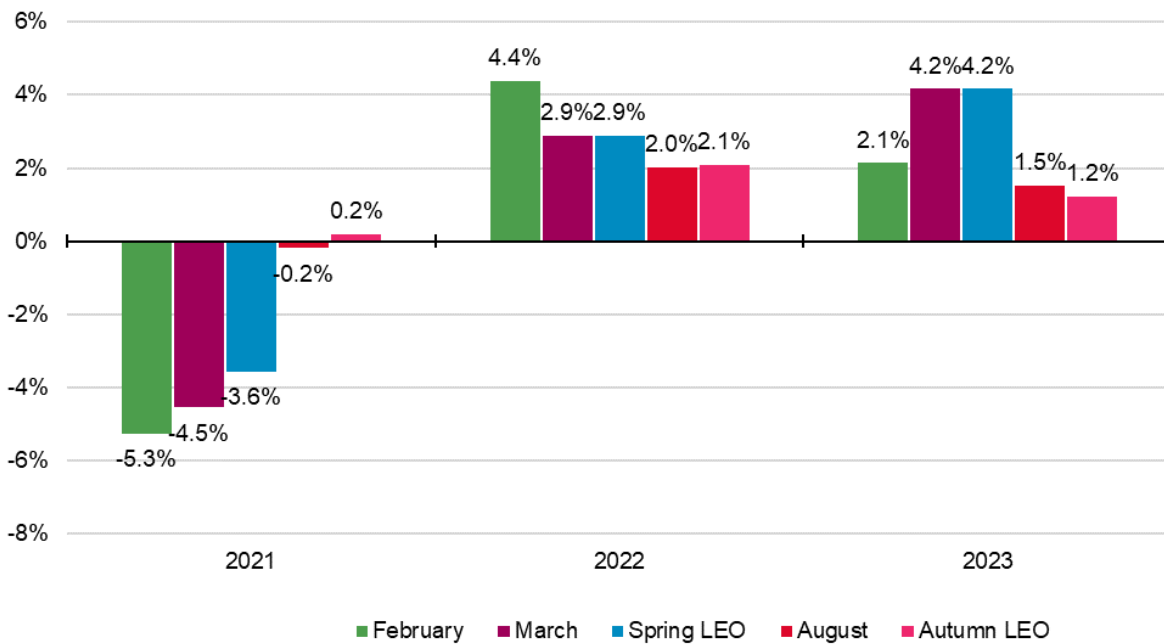
Source: GLA Economics

**Figure 1.4: Development of reference scenarios for London annual real GVA growth rates 2020-2022**



Source: GLA Economics

**Figure 1.5: Development of reference scenarios for London annual employment growth rates 2020-2022**



Source: GLA Economics



## 2. Introduction

The autumn 2021 edition of London's Economic Outlook (LEO) is GLA Economics' 39<sup>th</sup> London forecast. The forecasts are issued roughly every six months to assist those preparing planning projections for London in the medium term. The report contains the following:

- An overview of the recent economic conditions in London, the UK and the world economies and includes analysis of important events, trends and risks to short and medium-term growth ([Chapter 3](#)).
- The 'consensus forecast' – a review of independent forecasts indicating the range of views about London's economy and the possible upside and downside risk ([Chapter 4](#)). In this document, 'consensus forecast' refers to the average of the independent forecasters listed under Section 2.1.
- The GLA Economics forecast for output, employment, household expenditure and household income in London ([Chapter 5](#)).

### 2.1 Note on the forecast

Any economic forecast is what the forecaster views as the economy's most likely future path and as such is inherently uncertain. Both model and data uncertainty as well as unpredictable events contribute to the potential for forecast error. Since the spring 2016 LEO, GLA Economics' forecast is based on an in-house model built by GLA Economics<sup>22</sup>. Before that, previous forecasts were based on an in-house model built by Volterra Consulting Limited. GLA Economics' review of independent forecasts provides an overview of the range of alternative opinions. Independent forecasts are supplied to the GLA for the main macroeconomic variables by the following organisations:

- Cambridge Econometrics (CE)
- The Centre for Economic and Business Research (CEBR)<sup>23</sup>
- Experian Economics (EE)
- Oxford Economics (OE)

Economic forecasting is not a precise science. Further, these projections unlike previous GLA Economics forecasts are a scenario consistent with the BoE's COVID-19 forecast published in November<sup>24</sup> and OBR scenario published in October<sup>25</sup> and provide an indication of what is, in GLA Economics' view, most *likely* to happen, not what will *definitely* happen if this scenario came to pass. There are thus significant risks, mainly on the downside, associated with this scenario.

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<sup>22</sup> The forecast model used in this forecast has updated the model described in this publication: Douglass, G & van Lohuizen, A (2016). '[The historic performance of the GLA's medium-term economic forecast model](#)', GLA Economics Current Issues Note 49, November 2016. A description of this new forecast model can be found in Orellana, E. (2020) '[The new GLA Economics forecast models for London's economy](#)', GLA Economics Working Paper 98.

<sup>23</sup> CEBR does not provide a forecast for household expenditure in London.

<sup>24</sup> Bank of England (2021), '[Monetary Policy Report – November 2021](#)', November 2021.

<sup>25</sup> OBR (2021). '[Economic and Fiscal Outlook – October 2021](#)', October 2021.

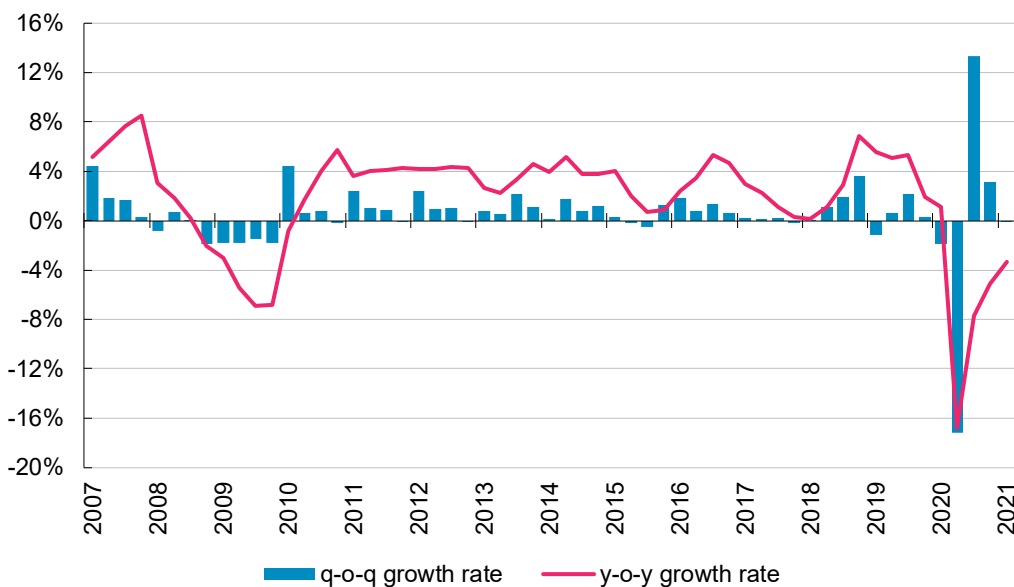
### 3. Economic background: London's recovery from its unprecedented economic shock continues but faces challenges in the new year

This Chapter provides an overview of recent developments in the London, UK and world economies, as well as risks to the London economy.

#### 3.1 London's economy

According to the latest regional data by the ONS, London's economy – as measured by real gross value added (GVA) – fell by 0.1% between Q4 2020 and Q1 2021, which is equivalent to an annual growth rate of -3.4% in the first quarter of the year. As can be observed from Figure 3.1, the quarter-on-previous-quarter (q-o-q) growth rate represents a very modest contraction given the third lockdown. This is especially so when compared with the sharpest fall on record in Q2 2020 following the first lockdown. By Q1 2021 London's economy remained 5.2% below its recent pre-pandemic peak in Q4 2019. However, this shock was smaller in London than for the UK, where the quarterly growth rate was -1.4% in the first quarter of 2021. Overall, the UK economy remained 8.3% below its pre-pandemic peak in the first quarter, although since then more timely national data has shown that it has begun its recovery from this drop. This was partially because London has a relatively large services sector. In some sub-sectors there are many people who have been able to continue to work from home, which may have dampened the still large movements in output.

**Figure 3.1: Real GVA in London (Q1 2007 – Q1 2021)**

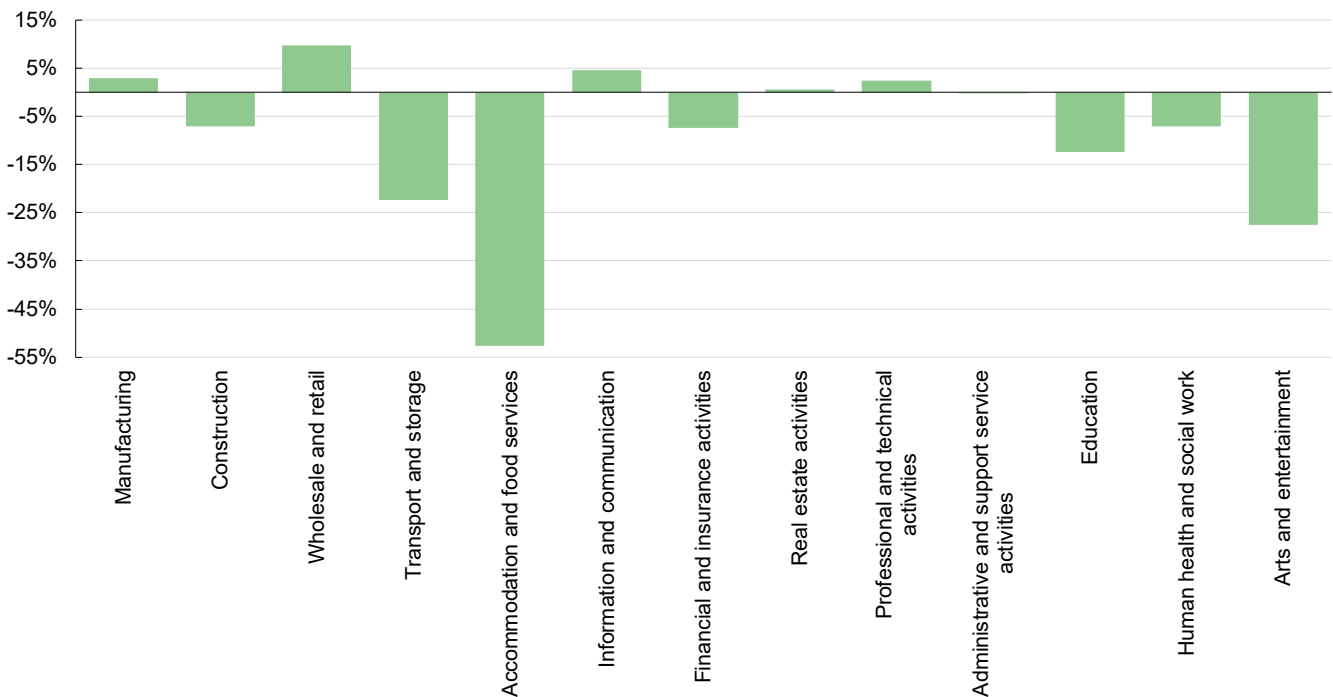


Source: GLA Economics based on ONS - UK regional GVA and GDP data.

As might be expected, the impact on output has been unevenly spread across sectors. Figure 3.2 indicates that the main four industries in terms of their contribution to output<sup>26</sup> – i.e., Real estate activities, Financial and insurance activities, Professional and scientific/technical activities, and Information and communication activities – all registered either a relatively small decline or growth in output in Q1 2021 compared with Q1 2020. In comparison, Arts and entertainment, Accommodation and food services, and Transportation and storage all shrank by over 20% over this period.

<sup>26</sup> Representing 57.6% of London's real GVA in 2018.

**Figure 3.2: Proportionate change in real GVA by industry\* in London Q1 2020 – Q1 2021**



Source: GLA Economics based on ONS – UK regional GVA and GDP data. \*The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.

Beyond the lockdown in the first quarter of 2021 there was first an easing and then ending of the lockdowns seen during the pandemic, although with the Omicron variant some restrictions have been reintroduced. Evidence from external forecasters<sup>27</sup> and our analysis of the available faster macroeconomic data for London suggest that the London and UK economies have suffered less during the last lockdown as businesses and individuals seem to have learnt to respond more effectively. For further details on the pandemic see [Box 3.1](#).

The latest data on London's labour market is for September 2021. The employment rate shows the percentage of residents aged 16-64 who are in work and stood at 75.1% in the three months to September 2021, up 0.3 percentage points on the year but still 1.6 percentage points down from the three months to February 2020. The unemployment rate shows the proportion of the 16 and over resident population who are unemployed but are seeking and available for work and stood at 5.6% in the three months to September, up 0.5 percentage points on a year earlier, but down from the seven-year high seen at the start of the year. For comparison, the UK's employment rate stood at 75.4% in the three months to September and the unemployment rate was 4.3%.

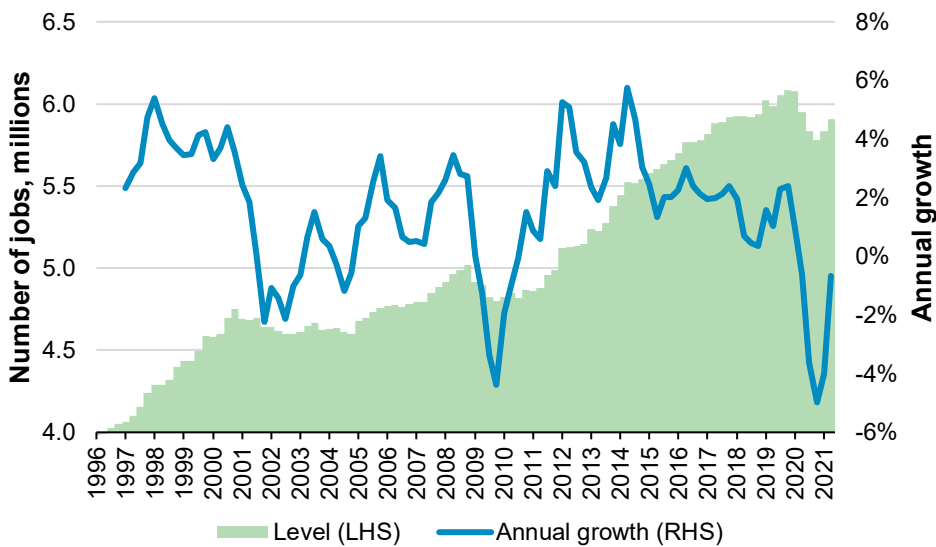
The trend in the number of jobs in London's economy has been less erratic than for output. The numbers of jobs had been falling gradually over 2020 before beginning to rise in 2021. Despite total workforce jobs rising from their low in Q4 2020, by Q2 2021 the number was 0.7% (40,000 jobs) lower than the same period a year earlier, and 172,000 jobs lower than its pre-pandemic peak (Figure 3.3). The government's furlough scheme, officially known as the Coronavirus Job Retention Scheme, is credited with keeping workers attached to their employers during the crisis and has enabled employers to give work to existing employees as the economy picked up, saving on redundancy and recruitment costs. As the economy restructures, with jobs moving into sectors which have benefited from the pandemic such as Digital

<sup>27</sup> See [Chapter 4](#) of this report for more detail.

activities, it is expected that there will continue to be a loss of jobs from sectors which have done less well. It is possible that Q3 2021 data when published may show some impact on the number of jobs due to the end of the furlough scheme but so far the available data is optimistic.

**Figure 3.3: Number of workforce jobs in London**

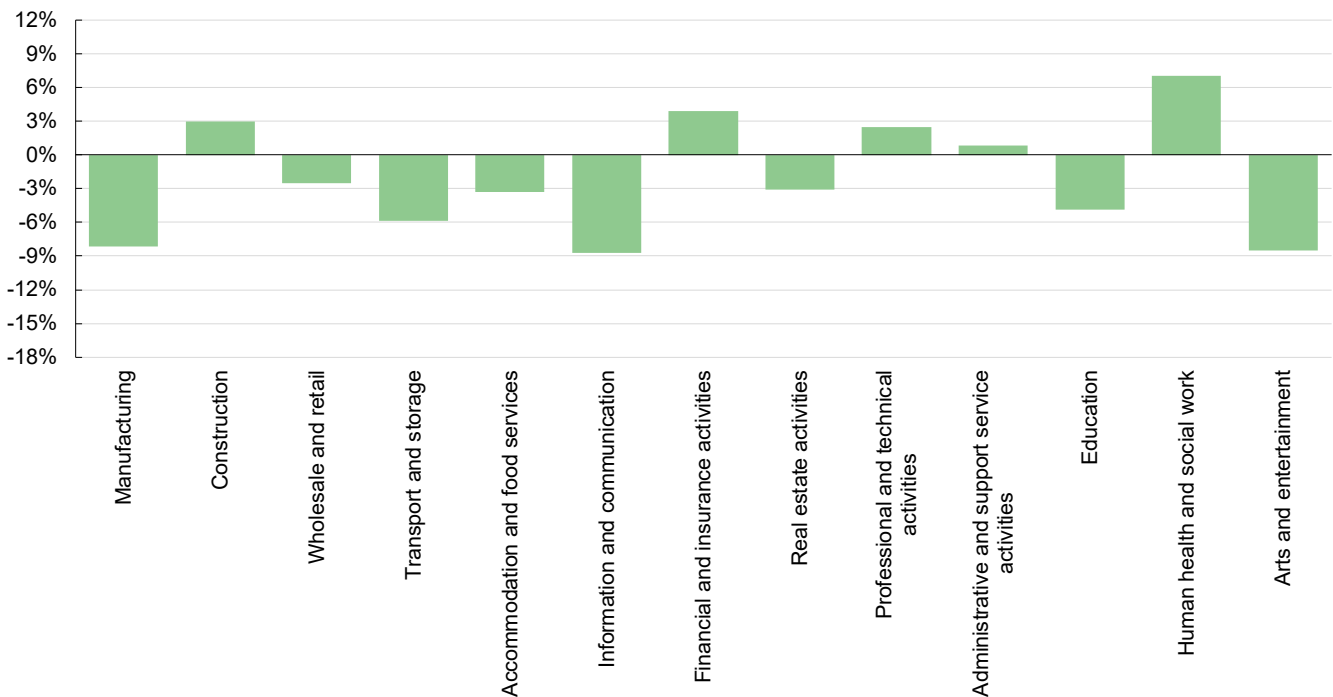
Last data point is Q2 2021



Source: ONS Workforce Jobs

On a sectoral basis there is a more mixed picture for the changes in workforce jobs over 2020 and into the first half of 2021. Figure 3.4 indicates that there has been some jobs growth in Construction, Finance, Human health and social work, Professional and scientific/technical activities and Administrative and support services between Q2 2020 and Q2 2021. In comparison, Manufacturing, Information and communication, and Arts and entertainment all shrank by over 8% during this period. This highlights the way the furlough scheme protected jobs in some, but not all, of the sectors most affected by the pandemic, and it is perhaps in some sectors with weaker employment protection that there have been the greatest job losses.

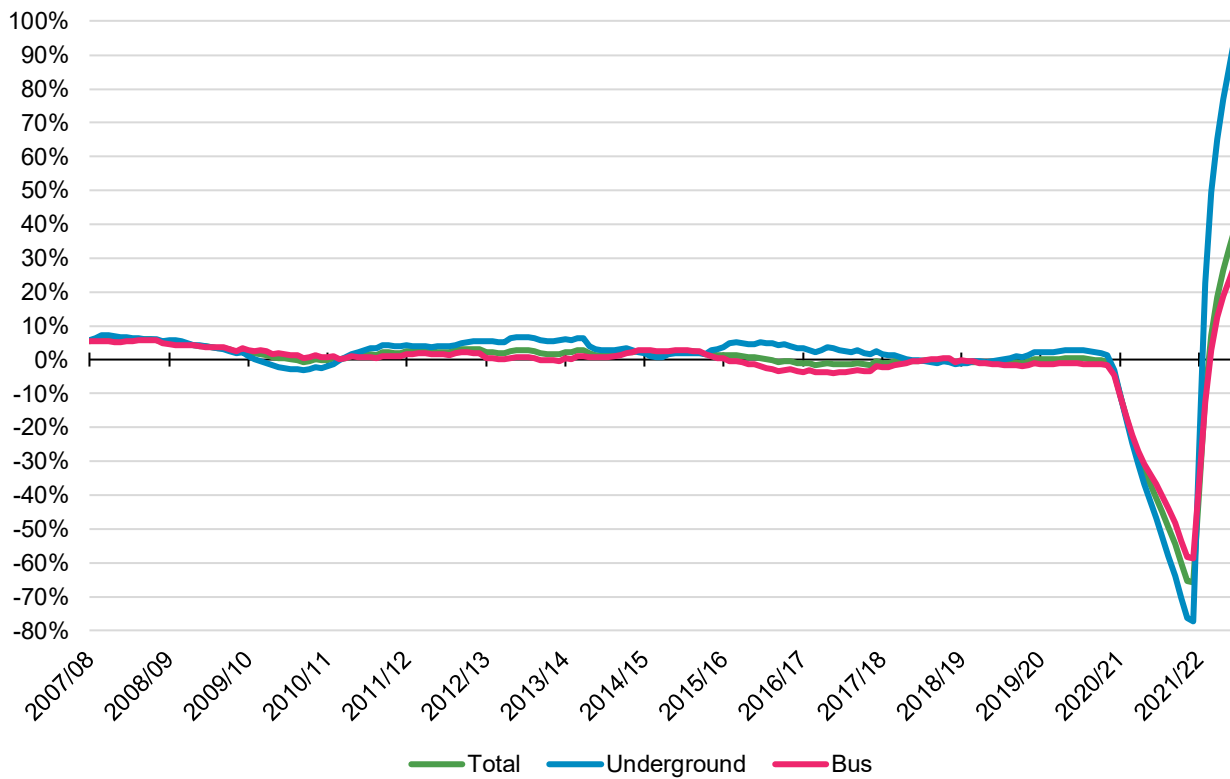
**Figure 3.4: Proportionate change in workforce jobs by industry\* in London Q2 2020 – Q2 2021**



Source: GLA Economics based on ONS – workforce jobs data. \*The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.

In the context of the recovery from lockdowns, public transport use can be a handy indicator to track the state of the London economy. For example, more people travelling in London could reflect more people commuting to work because there are more jobs being undertaken at workplaces. Alternatively, it could reflect increased leisure activities, like shopping, which might indicate an increase in household spending. Having noted this, the variation of the 12-month moving average in total passenger journeys in London's public transport had been increasing throughout 2019 before starting to fall slightly by the end of the year and the beginning of 2020. However, this indicator sunk from March 2020 and has recently started to improve as demand for the use of public transport in London recovers from the pandemic lows (Figure 3.5). As a reference, in the period 20 September to 17 October 2021 the moving average of passenger journeys in London's public transport was 40% above the equivalent period in the previous year but still below pre-pandemic levels.

**Figure 3.5: Variation (%) of the 12-month moving average in public transport passenger journeys in London**



Source: GLA Economics based on Transport for London data. Last data point is the 25-day period ending on 17 October 2021.

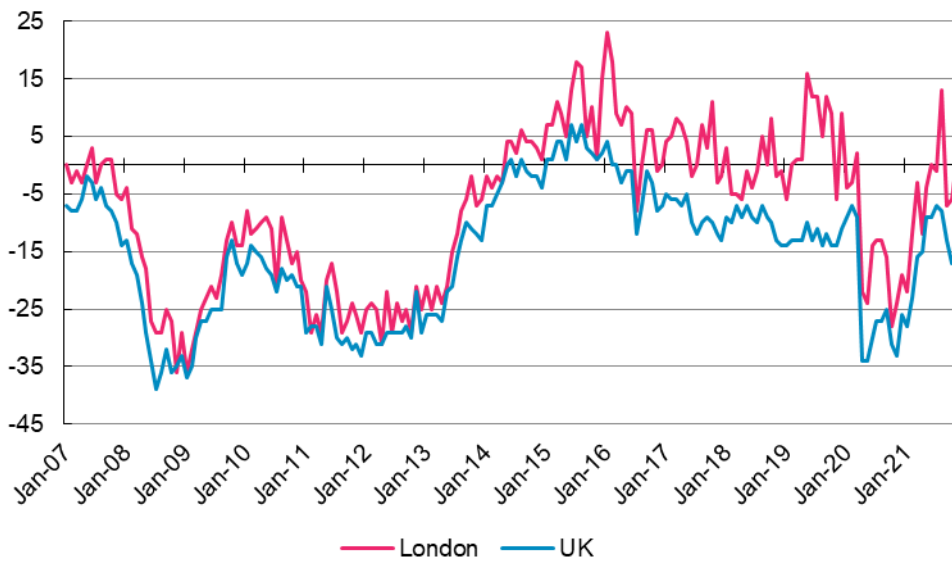
The decline in transport mobility compared to pre-pandemic levels is one factor that negatively affects London's economy through lower spending in London's Central Activity Zone. The broader reduction in international travel has also had a bearing on spending. Other factors such as the current uncertainty on the control of the pandemic, the speed and size of the economic recovery and the UK's future commercial relationship with the EU may all also have a role in explaining this.

The GfK Consumer Confidence Barometer, a consumer confidence index, is a reliable indicator to measure how private consumption in London is being affected by overall uncertainty<sup>28</sup>. Looking at this indicator, the virus outbreak and the consequent first lockdown caused consumer confidence in London to drop sharply in April and May 2020 (Figure 3.6). As the first lockdown eased in June 2020, this index recovered slightly for some months - although always remaining negative - but the second wave of infections and the announcement and subsequent introduction of the second lockdown sunk the London index to eight-year lows in October and November 2020. There has been some recovery since although sentiment had remained in negative territory until turning marginally positive in November 2021. The figures thus suggest that London consumers are still somewhat worried about the present economic uncertainty. Still, data for London has remained less pessimistic than for the UK in terms of consumer confidence throughout the pandemic, as shown by Figure 3.6.

<sup>28</sup> The GfK Consumer Confidence Barometer reflects people's views on their financial position and the general economy over the past year and the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.



**Figure 3.6: GfK Consumer Confidence Barometer for London and the UK**

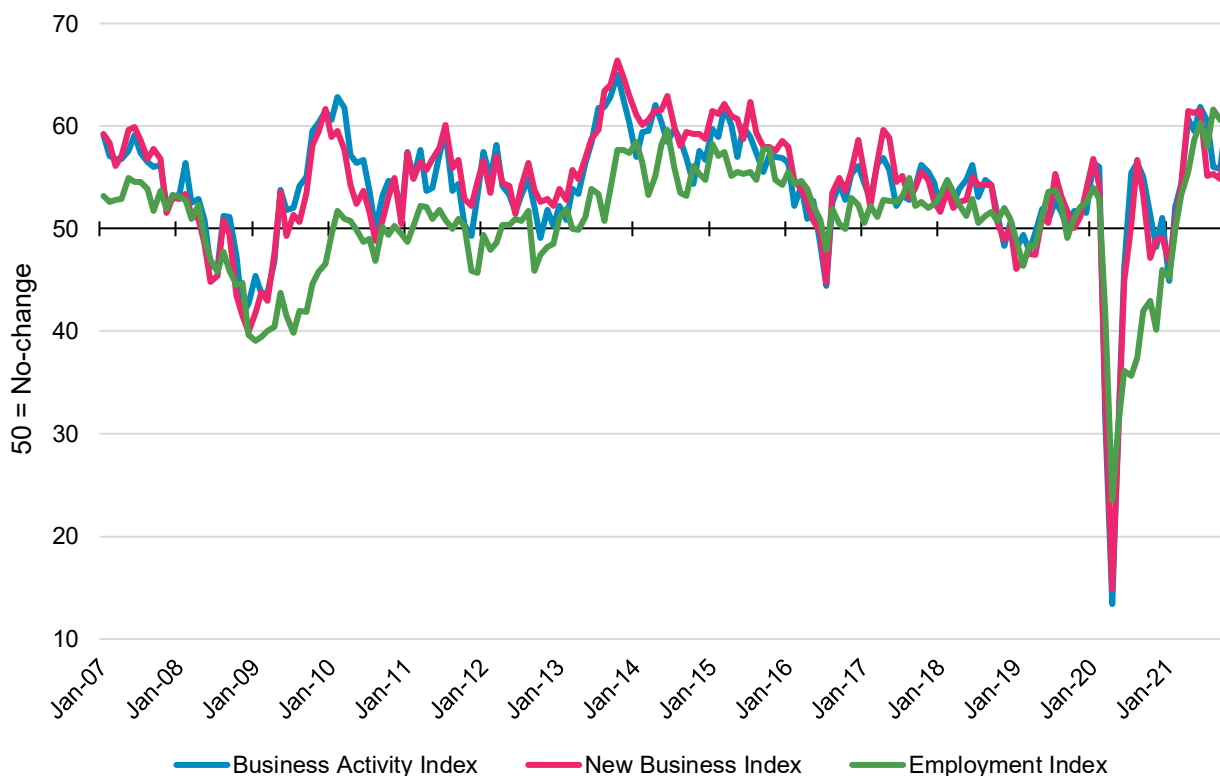


Source: GLA Economics based on GfK-NOP data. Last data point is November 2021.

Another high frequency indicator that correlates strongly with economic activity is the Natwest Purchasing Managers' Index (PMI) survey, which focuses on the sentiment of businesses in London<sup>29</sup>. It does so by asking private sector firms about the month-on-month trends in a variety of business indicators like workload and employment. PMI data in 2019 prior to the pandemic remained slightly above 50 on average - indicating slightly expanding conditions. With the emergence of COVID-19 these indicators were dragged down to all-time lows in March and April 2020. A rapid recovery started in May, continuing over the summer, before again turning negative with the autumn and winter lockdowns. However, with the easing of the third lockdown all the indicators again show an expansion of activity (Figure 3.7). In fact, PMI Business Activity and PMI New Business indices returned to growth in February with the PMI Employment Index doing so in March. At the time of writing the latest indicators for October show continued strong levels.

<sup>29</sup> PMI index readings are based around the 50 no-change mark. Readings above 50 suggest an overall increase in that variable, while readings below suggest an overall decline. Readings exactly at 50 suggest no-change in that variable compared with a month earlier. Moreover, the further the index reading is away from the 50 mark, the faster the rate of growth or decline.

**Figure 3.7: Natwest PMI Business Activity for London, New Business and Employment Indices**



Source: GLA Economics based on IHS Markit data. Last data point is October 2021.

The housing market had been picking up prior to the onset of COVID-19 as house prices and expectations of house prices had been rising through 2019. There was volatility in both measures over 2020, and both were moving downwards in the latter part of 2020 reflecting worse economic news. However, there has been a recovery in 2021 as the lockdown was eased following the vaccine roll-out (Figure 3.8). It is clear that housing has become more affordable for some households, who have built up savings over the pandemic. What is not known is the extent to which these savings might be used to purchase houses, or on other spending.

**Figure 3.8: RICS house prices net balance index for London, change during last three months**



Source: GLA Economics based on RICS data. The net balance index measures monthly the proportion of property surveyors reporting a rise in prices minus those reporting a decline in the last three months. The last data point is November 2021.

Beyond the challenges that London's economy is facing this coming year and its unclear outlook, it seems evident that some economic scarring cannot be ruled out. It is less certain how the scarring will roll out over the sectors of the economy and if any lack of liquidity leads to closure of otherwise solvent firms, although the capital's hospitality sector may be particularly at risk.

### Box 3.1: The evolution of the COVID-19 pandemic so far

As shown in the rest of this chapter, after the sharp shock to the economy caused by the pandemic and lockdown measures, the reopening of the economy has pushed output in London close to pre-pandemic levels. Yet uncertainties remain about the long-term profile of the recovery, with growing downside risks from the new Omicron virus variant, price pressures and a reallocation of demand across sectors and regions.

*The pandemic resulted in a deep drop in economic activity, but the rebound has been rapid due to easing restrictions, strong policy support and structural adaptations.*

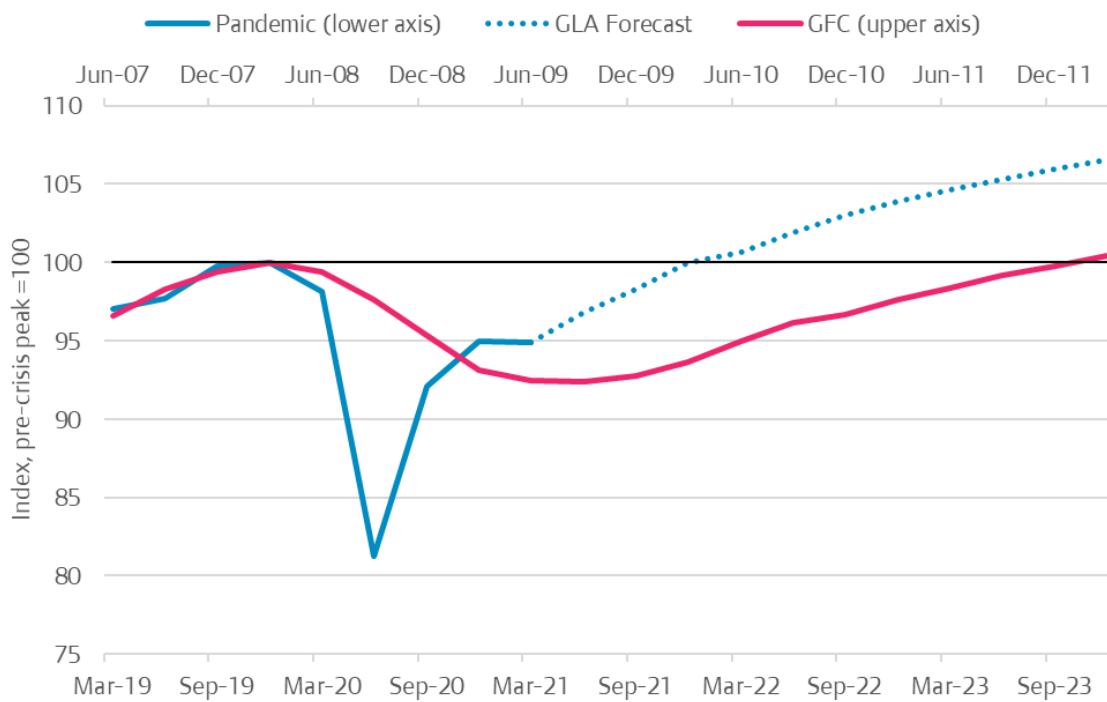
As a public health crisis, rather than a traditional economic crisis, the COVID-19 pandemic has had an unusual impact on London's economy. Once COVID-19 arrived in the UK, controlling the rapid spread of the virus became a priority and the Government introduced national lockdown measures on 26<sup>th</sup> March 2020. Shutting down large portions of the economy meant economic activity fell 21.8% across the first half of 2020 at the national level and 18.8% at the London level.

However, once new infections slowed, national restrictions were eased and the economy rebounded rapidly, with growth of over 17% at the UK level in Q3 2020 and over 13% for the capital. While there have since been further national lockdowns in November 2020 and January 2021, experience from the first lockdown and the rollout of vaccines helped firms and consumers adapt to the new restrictions. Despite a month of lockdown, Q4 2020 saw London output grow 3.1%, and even the longer third lockdown cut London output by just 0.1% across Q1 2021. Government support also boosted activity, as the Coronavirus Job Retention Scheme (CJRS) subsidised wages for furloughed workers, supporting household spending power and containing firms' costs, while business loans, retail grants and tax relief

also helped keep firms afloat so they could reopen rapidly. The Self-Employment Income Support Scheme (SEISS) completed the set of measures by providing grants to sole traders and partnerships.

The Government lifted the third lockdown progressively across late spring and early summer, finishing by 19 July 2021. This prompted another rapid increase in national GDP, with Q2 2021 seeing 5.5% growth. As a result, GDP was just over 3% below its end-2019 level by the end of Q2 2021. The pattern of a sharp drop and a rapid rebound from this public health crisis contrasts starkly with the experience following the last economic crisis in 2008. Despite an initially shallower impact, the recovery from the global financial crisis took twice as long as the projected pace of the pandemic recovery (Figure 3.9).

**Figure 3.9: London output recovery paths after the pandemic and the financial crisis**



Source: ONS, GLA projections

***The job market has seen a different trajectory, with a shallow initial impact due to extensive government support giving way to a very slow recovery.***

Meanwhile, the labour market has followed a different trajectory to output. Several government support schemes during the pandemic helped keep job losses contained, with the CJRS the most important. Under this furlough scheme, the Government subsidised up to 80% of a payroll employee's wages (up to £2,500 per month) while they did not work. This allowed firms to pass on wage costs to the Government and made it easier for them to retain employees. The scheme was originally intended to conclude in May 2020, but successive extensions saw it run until the end of September 2021, with a tapered reduction in the share of wages paid by the Government starting in July.

As firms were able to keep on workers they otherwise could not have afforded to pay during the pandemic, peak job losses were relatively limited. While output fell by more than a fifth across the first half of 2020, workforce jobs contracted by just 1.4% at the UK level across the same period. The national employment trough came in Q4 2020, with jobs 3.6% below their pre-pandemic level. London fared worse

than other regions, but even in the capital the peak job loss was 5% in Q4 2020, far milder than the 13% peak impact on output.

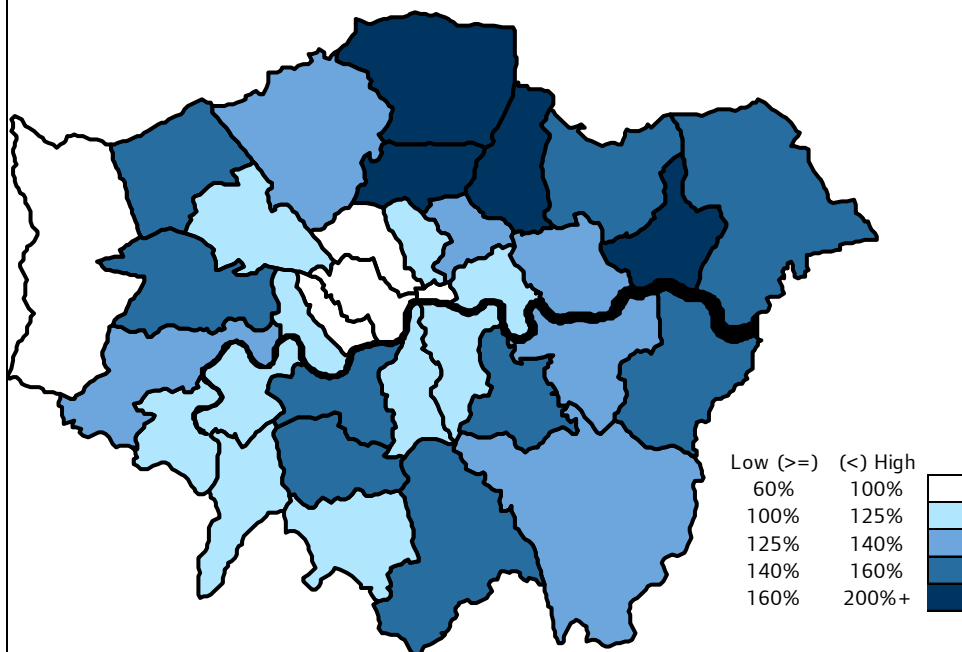
However, as shown in [Chapter 5](#), the jobs recovery is set to be slower than the rebound in activity. While we expect output to reach pre-pandemic levels in early 2022, job numbers are projected to remain below 2019 levels until late 2022 or early 2023. This pace of recovery is largely in line with the experience of the financial crisis, raising the risk of medium-term scarring in London's labour market.

***Beneath the aggregate recovery, changing patterns of work and spending shifted activity out of the centre of London.***

While the aggregate recovery in output has been strong, this masks divergences between different sectors and geographical areas of London's economy. By Q3 2021, real UK output was around 2.1% below pre-pandemic levels. Yet within that overall picture, Wholesale and retail activity was 2.9% above end-2019 levels and health output was nearly 15% higher, while Arts and entertainment activity was 5.5% below pre-pandemic levels and Transport output was over 10% lower.

Clearly, several high-contact service sectors remained depressed well into 2021, and a continued reluctance to travel into the Central Activity Zone for work and leisure may mean different areas within London face a different level of impact from the pandemic. September saw total Tube and bus journeys still 27% below pre-pandemic levels, and the mid-November Opinions and Lifestyle survey showed that Londoners are particularly likely to work from home, with 49% more likely to work from home since the pandemic versus a UK average of 34%. Alongside changed working and mobility patterns among residents, international tourism continues to be weak, with Visit Britain projecting inbound visits to the UK will still be over 80% below 2019 levels this year. Taken together, these patterns have meant that spending activity has been hollowed out from inner London (Figure 3.10).

**Figure 3.10: Payment card retail spending, October 2021 compared to pre-pandemic norm**



Source: Anonymised and Aggregated data by Mastercard and City Intelligence Unit analysis; Note: as the pandemic may have reduced cash use, 100% of pre-pandemic card use may not imply a full spending recovery.

***Growth is slowing as reopening gains run out, fiscal support pulls back and supply chain challenges generate headwinds***

Recent months have seen the national pace of activity growth slow, with July recording an estimated 0.2% contraction in UK GDP and August output growing 0.2%. Even 0.6% growth in September left the level of activity roughly in line with its position in May. While we do not have official London output data in the same period, mobility data trends point to a moderate pace of activity growth in the capital in Q3 2021 and experimental ONS nowcast data suggest growth largely in line with national averages. London may benefit more than the wider UK from steady growth in some sectors, like Financial services and Professional services, and from the catch-up of the sectors hardest hit by the pandemic like Accommodation and food services, which grew 2.3% in September at the national level. However, the overall pace of the recovery has slowed on a broad basis, and after rapid improvements in the first half of the year, London's mobility figures are consistent with a shallower recovery profile in recent months.

While some deceleration of growth was always likely as the early gains from reopening the economy ran out, of 20 major sectors of the UK economy, at the end of Q3 2021 five still had output shortfalls of over 5% relative to 2019 levels, suggesting continued room for rebound. The pace of growth in September was also only weakly correlated with the activity shortfall from pre-pandemic levels, suggesting that weaker catch-up effects may not have been the main factor in explaining the decelerating recovery.

Three key developments help explain the slowing pace of growth. Firstly, fiscal support schemes have eased back in recent months, with both the CJRS and the £20 uplift to Universal Credit coming to an end in September. Before these schemes expired, government spending in Q2 2021 was already down 5.1% from Q1 2021 and is now likely to pull back faster over the coming quarters.

The second headwind facing growth is a slowdown in confidence. While business confidence in London and the wider UK remains positive (and picked up in October according to PMI measures), consumer confidence fell off sharply in Q3. London consumer confidence pulled back from +13 in August to -7 in September and the national data performed worse still, with UK consumer confidence at -13. Q4 data have seen some improvement, with London consumer confidence turning positive in November, but the impact of the new Omicron variant may well dampen consumer sentiment again. While the measures so far announced to combat the new variant might have a direct dampening effect on sectors reliant on commuters or tourism, the indirect effect through confidence is likelier to be larger – unless more stringent restrictions are required.

Thirdly, the UK economy is facing wide-ranging supply chain challenges. As economies worldwide enacted lockdowns to control COVID-19 at the same time as fiscal measures to support incomes during the pandemic, consumer demand rotated away from services to goods. Total goods imports by OECD countries have surged to record levels, surpassing the previous peak in late 2018 by over 9%. This rapid rise in global goods demand has come while production networks are still recovering to full capacity and as global shipping routes have faced disruptions including Covid outbreaks at key overseas ports. Even as UK PMI figures remain strong, sentiment among its import partners is more modest. Global manufacturing PMI figures show that while the industrial sector has been expanding solidly since mid-2020, sentiment has recently eased off, with September's reading of 54.1 the lowest for six months. The effect of import disruptions has shown up in the detail of the UK PMI figures too, with domestic manufacturers reporting record supplier delivery times.



***Supply chain challenges are also generating cost pressures that are combining with higher energy prices and broadening wage pressures to raise inflation.***

Even as the activity recovery is slowing, some of the same factors are also contributing to growing price pressures. CPI inflation has picked up to an annual pace of over 3% and the Bank of England projects a peak as high as 5% in spring 2022.

Three key factors are shaping the outlook for inflation. Firstly, the same supply chain challenges that are contributing to the slower recovery are also having an impact on inflation. One example is the impact of semiconductor shortages. A combination of technological bottlenecks, fluctuating pandemic demand, emergency outages in the US and Japan and port backlogs due to local lockdowns in China have all meant a shortage of computer chip materials<sup>30</sup>. This has caused delays in new car production, driving up demand for second-hand vehicles. As a result, the CPI sub-component for the purchase of used cars is now growing at a record annual rate of 19.2%. More broadly, the PMI gauge for input prices in London reached a record level of 75 in October – a reading of just 50 would indicate growth.

Supply chain challenges may remain for some months but there are good reasons to expect supply chain challenges to ease over the coming year. Firstly, higher prices should prompt suppliers to ramp up production, easing shortages. This may take longer in the case of highly concentrated, scale-oriented industries, such as semiconductor fabrication. Secondly, key measures of shipping costs are falling, with the Baltic Dry index (a freight cost measure) at half its peak levels in early October. Thirdly, some early examples of tight supply chains raising costs have already unwound, with one example coming from US lumber prices, which have eased from peaks in May. Fourth, global demand for goods should normalise as the pandemic comes under control. Domestically, UK real retail sales have fallen over 5% since April, while overseas, US consumer spending on durable goods has also been falling across the same period. Nevertheless, risks remain that periodic COVID-19 outbreaks disrupting ports and shipping and Brexit raising costs for importers ([see Box 3.2](#)) result in more persistent supply chain difficulties.

The second key factor behind higher inflation is an increase in energy prices. UK average petrol prices pushed above 147p per litre in late November, the highest since official records began in 2003, while the Ofgem cap for gas tariffs rose 12% in October due to global natural gas prices more than doubling between March and September. While the future path of global commodity prices is uncertain, the Bank of England noted in its November Monetary Policy Report that futures contract curves point to a decline across the course of 2022.

A third key driver of the inflation outlook is the path for wages. Wage data are currently distorted by compositional effects (as low-wage workers were the likeliest to lose their jobs in the pandemic) and base effects (as growth comparisons are made with low wage levels in 2020). However, ONS measures of average weekly earnings point to underlying annual growth in regular pay of at least 3.4% in the three months to September, even accounting for these base effects<sup>31</sup>. Firming wage growth may be partly due to recruitment difficulties, as ONS data show over one in eight firms found vacancies hard to fill in November. Vacancies are often highest in sectors with the most furloughed employments, suggesting employers are not fully satisfied with the pool of un- or under-employed workers available to them<sup>32</sup>. This could point to skills or geographical mismatches that may lead to within- and between-sector reallocation of labour, generating additional wage growth due to churn<sup>33</sup>.

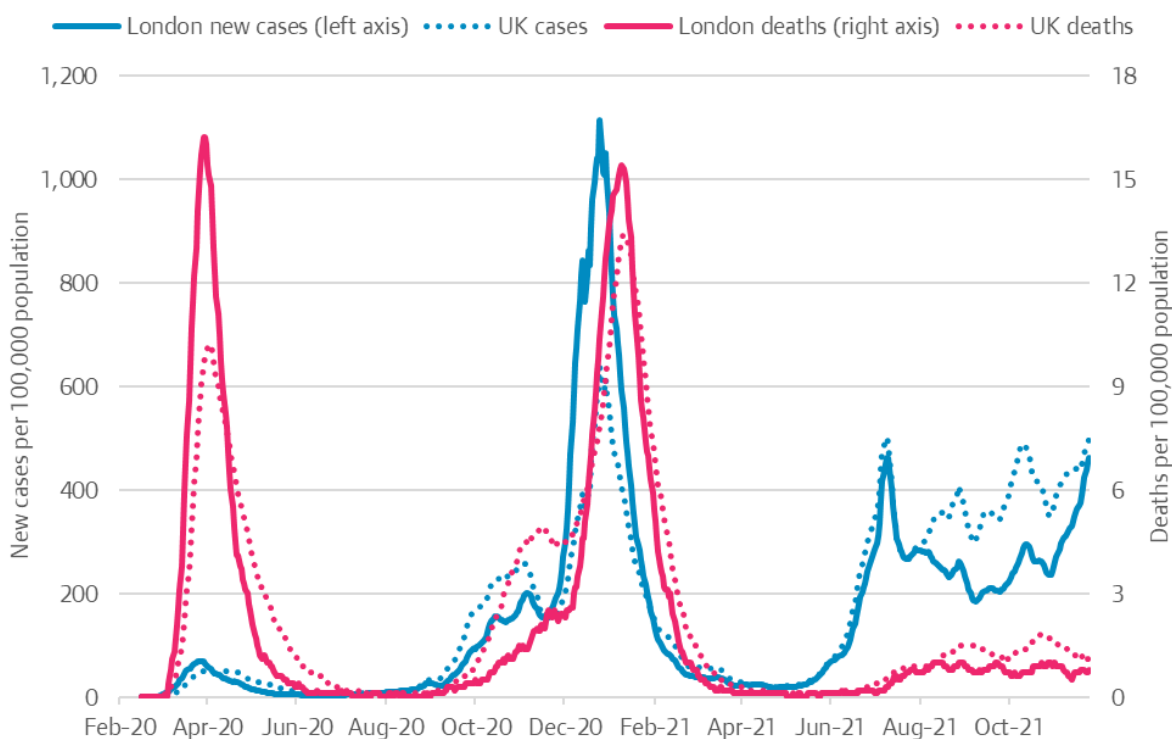
As with supply chain challenges, labour shortages are expected to ease across the coming year, with furlough coming to an end and the economy recovering. IFS analysis<sup>34</sup> also finds that most jobseekers face sharp competition for each vacancy, so higher pay awards may be concentrated in areas of scarce skills.

These points are consistent with the fact that real wages are up just over 1% in annualized terms compared with 2019.

***Looking ahead, there are several key risks to the recovery, from inflation eroding real incomes to job market mismatches to new Covid variants.***

Despite reasons for optimism surrounding some of the headwinds currently facing the economy, the pandemic still presents several key risks to the outlook. In the near term, the recovery so far is founded on control of the pandemic, and the new Omicron variant poses yet another challenge to that control. While the UK has seen new cases at an elevated level since the economy reopened in July, hospitalisations and deaths have so far remained low (Figure 3.11). New cases per 100,000 are averaging above 450 at the UK level, but London is recording a rate around 12% lower at around 400 per 100,000. While the lower case rate is a positive to some extent for the capital, London's recovery depends on activity around the UK and the world. The emergence of the heavily-mutated Omicron variant is also a reminder that the threat of new Covid variants will persist as long as there are widespread cases anywhere. These points mean that unless the pandemic comes under control globally, London's recovery will continue to face the threat of further disruption.

**Figure 3.11: London and the UK case rates and death rates**



Source: [coronavirus.data.gov.uk](https://coronavirus.data.gov.uk)

<sup>30</sup> [BBC, 27 August 2021](#)

<sup>31</sup> The ONS has indicated that wage statistics are currently difficult to interpret due to temporary compositional and base effects, some of which are now fading. See ONS blog post (2021) [Far from average: How COVID-19 has impacted the Average Weekly Earnings data](#)

<sup>32</sup> While this relationship might appear to be driven by the simple size of different sectors, there is still a positive relationship between sector furloughs and sector vacancies when both are taken as a share of sector payroll employment

<sup>33</sup> Job-to-job moves are often associated with pay rises, see ONS (2019) [Analysis of job changers and stayers](#)

<sup>34</sup> IFS (2021): [Job opportunities during the pandemic](#)

Widespread vaccinations and improved treatments should help mitigate the risk from Covid, and the new acceleration of the vaccine booster dose scheme should offer further protection. Yet a hard test lies immediately ahead, with the Omicron variant showing some signs of being able to escape the immunity protection of existing vaccines as it spreads rapidly around the world. Community transmission already looks to be underway in the UK, and it remains to be seen whether the recently-introduced guidance on home working and mask-wearing can avoid a similar spike in cases as in winter 2020 during the coming months. The Omicron variant clearly pushes the balance of risks for the recovery further to the downside, but as of the time of publication there is still uncertainty around key epidemiological facts, let alone the potential economic impact. Due to this uncertainty, while our baseline forecast (see [Chapter 5](#)) incorporates reduced social contact amid the latest restrictions, it does not incorporate the impact of any national lockdown due to the new variant. However, it is worth noting that even if activity restrictions are required, our downside scenario envisions a relatively shallow impact, as the economy has proven increasingly resilient to lockdown measures.

In the medium term, the pandemic could yet create a number of challenges for the later stages of the recovery. First is the threat from sustained higher inflation, which would erode household spending power by lowering real incomes. While we expect the main drivers of high inflation to ease over the coming year, if higher inflation now becomes baked in to higher inflation expectations, this could produce wage growth ahead of productivity growth, risking a stagflationary decoupling between price and output growth. Citi and YouGov polling points to sharply rising year-ahead inflation expectations, which were up 1 percentage point to 4.1% in September, while five-year expectations rose to 3.8% from 3.5% in August. Higher inflation would combine with existing headwinds to income growth, slowing the vitality of the consumer recovery. At the national level, the IFS have combined projections from the Office for Budget Responsibility with a distributional analysis of recent fiscal policy changes to conclude that next year the median UK earner will see real disposable income dip despite a strong output recovery<sup>35</sup>. These concerns figure in the slower medium-term pace of growth in our downside scenario (see [Chapter 5](#))

A second medium-term threat from the pandemic is the possibility of permanent sectoral and geographic shifts of activity and demand. If widespread working from home becomes a permanent feature of the economy, demand for services in the centre of London is likely to fall, affecting jobs and output. Academic studies indicate that around 34,000 retail and hospitality jobs would no longer be needed in Central London due to the 'zoomshock' from more home working<sup>36</sup>. Nearly 40% of these jobs would move outside London altogether, and a longer-term mismatch between the location of workers and jobs could dent productivity. Slower productivity growth would lower long-term output growth and make any rise in wage growth due to sectoral reallocations of labour more inflationary.

### 3.2 The UK economy

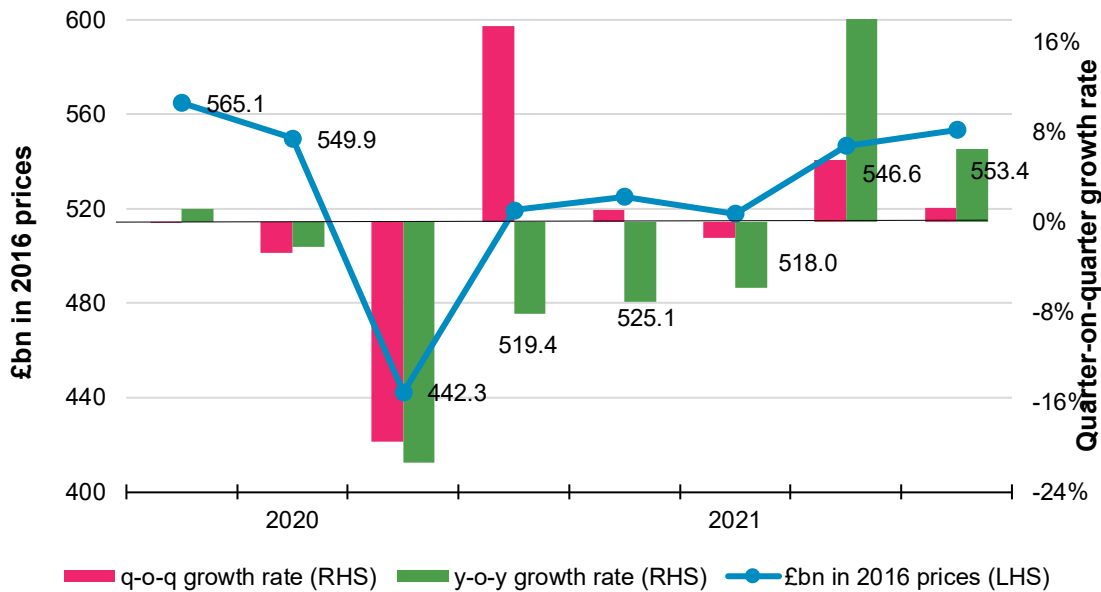
The UK suffered unprecedented falls during the first part of 2020 – and especially from late March to late May, the UK economy experienced the largest contraction of real GDP for over 300 years (-2.7% in Q1 2020 and -19.6% in Q2 2020, when compared to the previous quarter). The decline in the economy by over a fifth compares with a fall of 6% during the 2008-2009 financial crisis. This historic decline in national output was the result of the initial outbreak of COVID-19 and the public restrictions taken to contain its spread.

<sup>35</sup> IFS (2021): Autumn Budget and Spending Review 2021, [Living standards](#)

<sup>36</sup> De Fraja, G., J. Matheson, P. Mizzen, J. Rockey, S. Taneja, G. Thwaites, (2021): Covid reallocation of spending: The effect of remote working on the retail and hospitality sector (UKRI ESRC funded research)

As the first lockdown was eased from June 2020 economic activity started to recover, at least to some extent, over the summer, led essentially by private consumption. Beyond this, it is thought that public spending had a positive impact on the pickup of household expenditure during the initial recovery period. However, the economy again declined with the introduction of a third lockdown in the New Year but has since resumed growth with the removal of restrictions during the second quarter of 2021. As a result, UK real GDP fell by 1.4% in Q1 2021, but then grew by 5.5% in Q2 2021 and by 1.3% in Q3 2021 although it still remains 2.1% below pre-crisis levels (Figure 3.12).

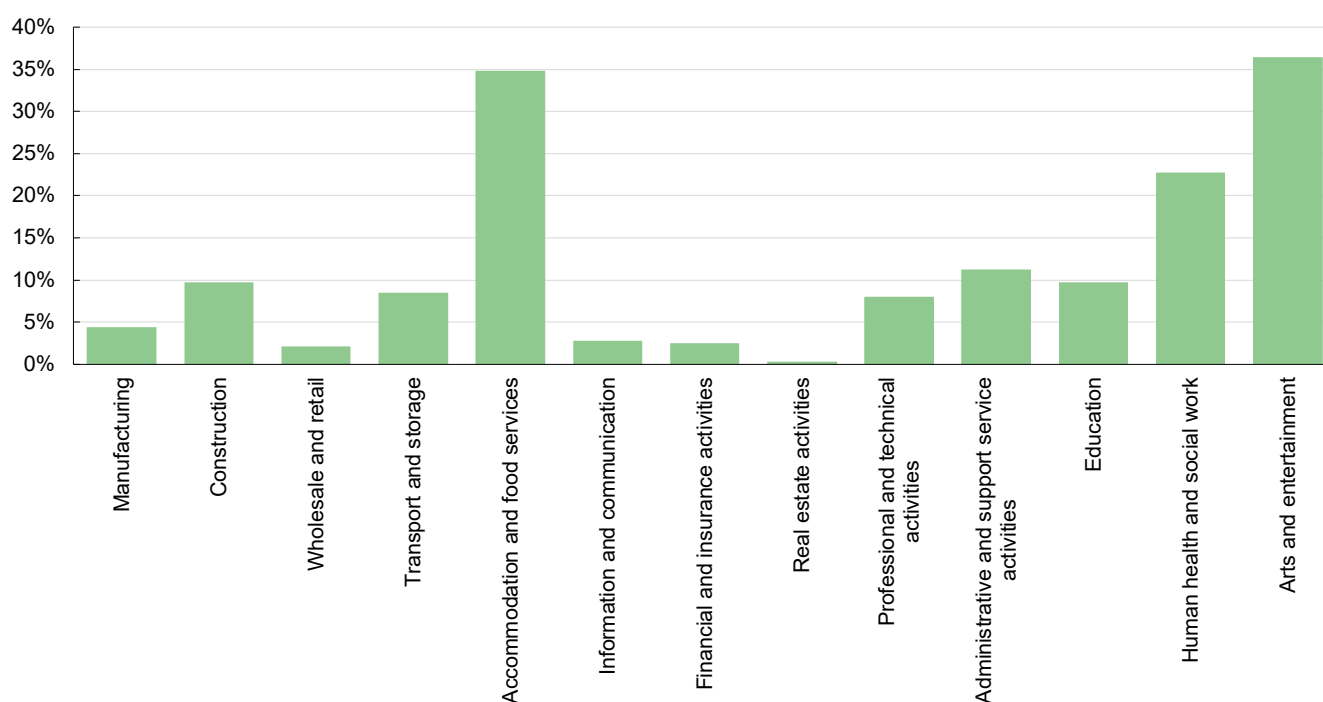
**Figure 3.12: UK real GDP (Q4 2019 – Q3 2021)**



Source: GLA Economics based on ONS – UK National Accounts data.

As with London, the UK sectoral distribution of the impacts of the recovery from the pandemic is uneven, although this largely reflects which sectors had been most heavily hit by the pandemic. Thus as these were some of the most impacted sectors Accommodation and food services and Arts and recreation saw significant growth, although their recovery continues to lag other sectors (Figure 3.13).

**Figure 3.13: Proportionate change in real GVA by industry\* in the UK Q3 2020 – Q3 2021**



Source: GLA Economics based on ONS – UK GDP data. \*The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.

GDP data can also be split into different types of final expenditure. That is, the expenditure on goods and services which are not used in the production process (i.e. as intermediate consumption). This includes final expenditure by households, general Government and the non-profit institutions serving households, as well as expenditure used in gross capital formation (e.g. business investment)<sup>37</sup>. For the most recent period, the year to Q3 2021, there was growth across all sectors (Table 3.1).

**Table 3.1: Annual rates of real growth in domestic final expenditure for the UK**

| Expenditure                   | 2019  |       | 2020   |        |        |        | 2021  |       |  |
|-------------------------------|-------|-------|--------|--------|--------|--------|-------|-------|--|
|                               | Q4    | Q1    | Q2     | Q3     | Q4     | Q1     | Q2    | Q3    |  |
| Households                    | -0.1% | -2.7% | -23.1% | -7.5%  | -8.5%  | -10.3% | 20.7% | 2.7%  |  |
| Non-profit institutions       | -2.8% | -5.8% | -28.4% | -23.7% | -23.0% | -17.8% | 9.5%  | 5.1%  |  |
| General Government            | 5.4%  | -0.9% | -18.1% | -4.3%  | -2.2%  | 2.9%   | 35.2% | 16.6% |  |
| Gross fixed capital formation | -0.1% | -4.4% | -21.6% | -7.9%  | -2.4%  | -2.8%  | 21.4% | 3.0%  |  |

Source: ONS (2021). 'GDP first quarterly estimate, UK: July to September 2021', 11 November 2021.

Household expenditure is important to the UK economy, with it contributing three-fifths to UK GDP in 2020. However, the latest estimates showed that after growing strongly in Q2 2021 consumer spending moderated to annual year-on-year growth in real terms of 2.7% in Q3 2021. The other notable trend is for General Government which grew by 16.6% over the same period.

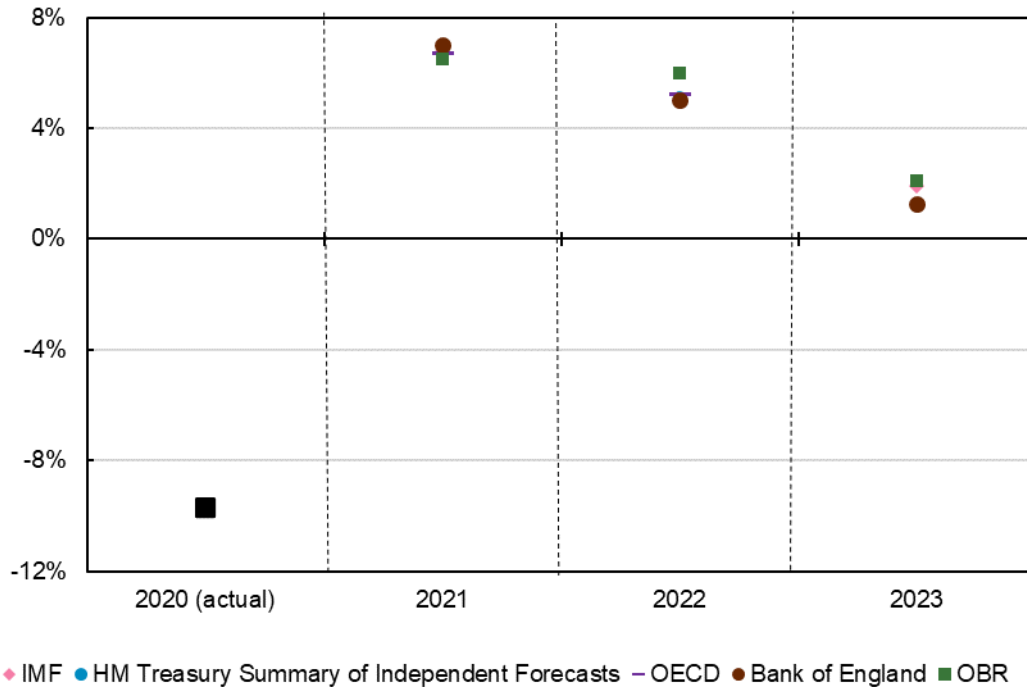
### Forecasts of the UK economy

Looking to the outlook for the UK economy over the coming year, other uncertain elements such as the global economic recovery, the degree of scarring of the economy, the continued impact of Brexit (see Box 3.2) and the prolonged concerns on low productivity add to the risks already mentioned for the very short term. Although the fiscal support for businesses, and notably the furlough scheme ended in September the Autumn Budget did not further roll back spending providing continued support to the UK economy. Despite

<sup>37</sup> It also includes net trade in goods and services.

this there remains a range of opinion around how quickly the economy will recover over the next two years before settling on a narrower range in 2023 (Figure 3.14). Broadly speaking forecasters (like the Bank of England (BoE)) expect stronger growth this year than next, but with still significant growth next year.

**Figure 3.14: External forecasts of UK real GDP growth for 2020-2023**



Source: GLA Economics based on ONS, HM Treasury, Bank of England, OECD, IMF, and OBR projections

The OBR and HM Treasury also publishes forecasts for other variables like the labour market and public-sector net borrowing (PSNB). These are shown in Table 3.2.

**Table 3.2: Selected OBR and HM Treasury consensus forecasts for the UK economy**

|  | HM Treasury's Average of Independent Forecasters (November 2020) |          | Office for Budget Responsibility (October 2021) |         |
|--|--|----------|---|---------|
|  | 2021   | 2022     | 2021  | 2022    |
|  | Annual real GDP growth rate                                      | 7.0%     | 5.1%  | 6.5%    |
| LFS unemployment rate                        | 4.9%   | 4.6%     | 4.9%  | 4.8%    |
| Current account                              | -£61.3bn   | -£74.2bn | -   | -       |
| Public sector net borrowing (financial year) | £193.5bn   | £103.5bn | £183.0bn  | £83.0bn |

Sources: HM Treasury (2021). 'Forecasts for the UK economy: a comparison of independent forecasts', November 2021; and OBR (2021). 'Economic and Fiscal Outlook – October 2021', October 2021.

**Other UK economic indicators**

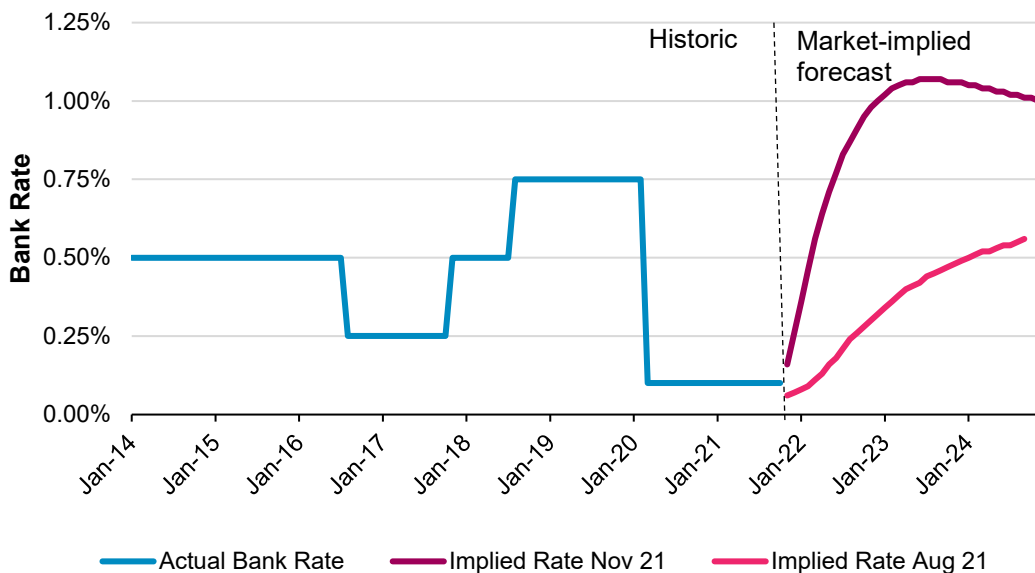
Beyond GDP, another important economic indicator is inflation as measured by the Consumer Price Index (CPI). Inflation, which had been above the Bank of England's central symmetrical target of 2% since February 2017, in part due to the large depreciation of sterling following the EU referendum, fell back in 2019. This decline in inflation was expected as the pickup in inflation from 2017 was expected to be short-



lived as the sterling-related price increases worked its way through the economy and did seem to have happened with CPI inflation standing at 1.5% in March 2020<sup>38</sup>. The weakness of demand in the economy during the pandemic further subdued inflationary pressures. However, with the easing of the impact of the pandemic releasing pent up demand, global supply chain pressures and the impact of Brexit, inflation again exceeded the Bank's target by the end of 2021. Nevertheless, the BoE expects inflation to moderate over time with them commenting that, "the upward pressure on CPI inflation is expected to dissipate over time, as supply disruption eases, global demand rebalances, and energy prices stop rising. As a result, CPI inflation is projected to fall back materially from the second half of next year"<sup>39</sup>.

In part due to the economic shock of the pandemic and the fact that output has yet to return to pre-pandemic levels the Bank had not raised interest rates since August 2018. Instead as the scale of the impact of social distancing measures to tackle COVID-19 became apparent in March 2020, the Bank lowered interest rates to 0.25% and then to 0.1%. However, the faster than previously expected rise in prices have led to a growing expectation of faster interest rate rises over the coming year. Accordingly, future interest rates are now expected to rise to over 1% over the next couple of years (Figure 3.15).

**Figure 3.15: Market-implied interest rate path for the UK**



Source: Bank of England (2021), 'Monetary Policy Report – November 2021', November 2021.

Interest rate changes can have several influences on the economy<sup>40</sup>. All other things held constant, rises can bolster sterling as returns (interest) on sterling would be relatively higher than other countries leading to an increase in demand for sterling-based assets by foreigners. They can also reduce consumer demand as higher interest on savings raises the 'opportunity cost' of spending. Likewise, it can reduce the appetite to invest and borrow as the cost in terms of debt interest would be higher. It can thus slow the rate of inflation and negatively affect the rate of economic growth in the short run through the combined effect of weaker demand for goods and services. Lowering interest rates would have the reverse of these effects. However, the magnitude of these effects will be dependent on several factors – i.e. the speed and scale of the interest rate changes, the time it takes for interest rates to work through the transmission mechanism, and the current state of the wider economy – and therefore provides some further uncertainty to economic

<sup>38</sup> ONS (2020). 'Consumer price inflation, March 2021', March 2021.

<sup>39</sup> Bank of England (2021). 'Monetary Policy Report - November 2021', November 2021.

<sup>40</sup> For more information, see Bank of England (1999). 'The transmission mechanism of monetary policy', Bank of England Quarterly Bulletin, May 1999.

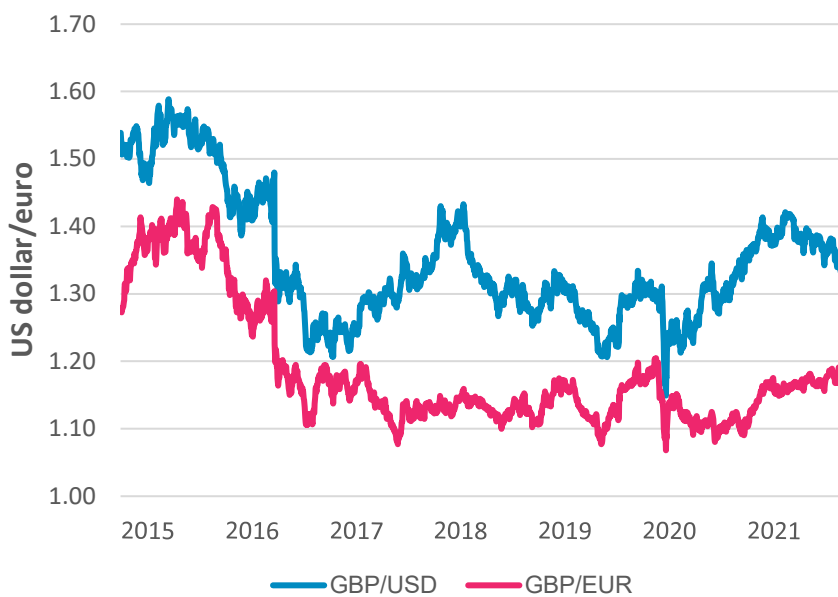
forecasts. It should also be noted that interest rates in the UK remain at historically very low levels and any changes in rates are expected to keep rates at levels that are still historically very low, indicating that the dampening effect of interest rates on the UK in the near term could still be limited.

The value of sterling fell following the result of the EU referendum in June 2016 and this is shown in Figure 3.16. Sterling had been relatively steady against the Euro since mid-2017, although there have been marked down and then upward movements in the second half of 2019 as first a no deal Brexit became more likely, and then a deal became more likely. At the same time, sterling appreciated against the US dollar through 2017 and into the early part of 2018 but had since dropped back largely due to the continuing impact of Brexit.

In early March 2020 when it became apparent that the UK economy would be significantly affected by COVID-19 the pound depreciated again against both the US dollar and the Euro. In part, this reflects a flight to strong currencies, but it may also reflect the comparative weakness of the UK economy after the vote to leave the EU. Despite this the pound has more than recovered against the dollar perhaps reflecting the poor US response to the COVID crisis, and has recovered against both the dollar and the euro this year which may reflect first the strength of the UK vaccination programme and then expectations of interest rate rises.

**Figure 3.16: Sterling to US dollar and euro exchange rates**

Last data point is 8 December 2021



Source: Bank of England

### Box 3.2: An update on Brexit

The ten previous editions of LEO<sup>41, 42, 43, 44, 45, 46, 47, 48, 49, 50</sup> up to May 2021 have provided updates on the process of the UK leaving the EU and estimates of the impact on the London economy. Since the UK left the Single Market in December 2020, and the Trade and Cooperation Agreement (TCA) allowing trade in goods with zero tariffs has come into effect, this edition provides early evidence of emerging impacts.

#### 1 UK-EU relations

The implementation of the TCA has not gone smoothly. There have been areas of disagreement, and there is the potential for further disagreement. This carries the risk, where the UK and the EU fail to find an accommodation, that the dispute escalates. The UK has threatened this, bringing the risk of a trade war with each side imposing tariffs on traded goods. This would have damaging economic consequences.

In October, almost three months after the UK demanded far-reaching reform of the Brexit deal's trading arrangements for Northern Ireland, the protocol, the European Commission proposed more limited changes. The UK wanted to eliminate most checks on goods going from Great Britain to Northern Ireland, while the EU has made proposals which could end as much as 80% of current checks. The UK has rejected the proposals as not going far enough, and not meeting its demand for an end to the role of the European Court of Justice in oversight of the Northern Ireland protocol. This dispute has not been resolved.

Also, in October there was a dispute between the leaders of the UK and French Governments about fishing rights in UK waters<sup>51</sup>. This turned on the application of criteria to grant French boats the right to fish in UK waters, and there has been an unsuccessful attempt to resolve the matter through an administrative easement. The dispute also still simmers.

The discord may continue as there is scope for further disagreement in areas of the TCA which are due to be implemented in full from January 2022:

- Rules-of-origin<sup>52</sup> - To benefit from zero tariffs goods from and to the UK will need to have supporting documentation that they have been made in the UK or the EU respectively – currently there are reduced requirements for certification. The precise rules-of-origin and the way “originating content” is calculated vary across products but typically an item must be about 50% British or EU made to qualify for zero tariffs. Industry insiders and commerce experts have warned that many British businesses are failing to comply and could face a flood of disruptive enforcement actions by the EU's customs authorities next year<sup>53</sup>;

<sup>41</sup> GLA Economics (2016). '[London's Economic Outlook: Autumn 2016 The GLA's medium-term planning projections](#)', November 2016.

<sup>42</sup> GLA Economics (2017). '[London's Economic Outlook: Spring 2017 The GLA's medium-term planning projections](#)', June 2017.

<sup>43</sup> GLA Economics (2017). '[London's Economic Outlook: Autumn 2017 The GLA's medium-term planning projections](#)', November 2017.

<sup>44</sup> GLA Economics (2018). '[London's Economic Outlook: Spring 2018 The GLA's medium-term planning projections](#)', May 2018.

<sup>45</sup> GLA Economics (2018). '[London's Economic Outlook: Autumn 2018 The GLA's medium-term planning projections](#)', November 2018.

<sup>46</sup> GLA Economics (2019). '[London's Economic Outlook: Spring 2019 The GLA's medium-term planning projections](#)', June 2019.

<sup>47</sup> GLA Economics (2019). '[London's Economic Outlook: Autumn 2019 The GLA's medium-term planning projections](#)', December 2019.

<sup>48</sup> GLA Economics (2020). '[London's Economic Outlook: Spring 2020 The GLA's medium-term planning projections](#)', June 2020.

<sup>49</sup> GLA Economics (2020). '[London's Economic Outlook: Autumn 2020 The GLA's medium-term planning projections](#)', December 2020.

<sup>50</sup> GLA Economics (2021). '[London's Economic Outlook: Spring 2021 The GLA's medium-term planning projections](#)', June 2021.

<sup>51</sup> The Guardian (2021). '[France backed down in fishing row after Jersey offer 'to move things forward'](#)', 2 November 2021.

<sup>52</sup> Financial Times (2021). '[UK exporters fall foul of post-Brexit trade rules](#)', 25 October 2021.

<sup>53</sup> There are other firms who are paying tariffs when they need not, in part to avoid the costs of bureaucracy. The UK Trade Policy Observatory (UKTPO) estimates that for the first seven months of 2021 between 26% and 32% of UK exports to the EU that could have entered under a zero-tariff did not

- UK customs declarations and controls for EU imports<sup>54</sup> – these will be introduced from 1 January 2022, although the provision of safety and security declarations has been postponed until 1 July 2022.

There is potential for dispute in some other areas<sup>55</sup>:

- Financial services – the EU wanted banks to move capital and staff to the EU. It has not agreed to equivalence, that is mutual recognition of trading practices, and it has been tightening some of its regulatory requirements. As the Withdrawal Agreement expired at the end of last year UK-based banks moved trading in euro-dominated assets to the EU, and as part of the establishment of EU-based entities transferred assets to the EU to meet capital adequacy requirements for trading. More recently, the European Central Bank has started to crack down on the 'back-to-back' model, where EU-based entities continue to manage risk from the UK. EU regulators have also started to look critically at practices such as 'chaperoning' – when EU-based workers sit in on calls between customers and UK-based traders, so an EU-based firm can say it is undertaking the regulated activity. Other levers are to limit the ability of asset managers to manage EU funds from the UK or to require clearing houses to move into the EU in the coming years. Despite these challenges Workforce jobs in the Finance sector in London have grown this year.
- Trade in goods between the EU and the UK will be further disrupted if the EU introduces its carbon-border adjustment mechanism (CBAM). This will see EU imports of certain products (currently iron, steel, aluminium, cement, fertiliser and electricity) subject to additional bureaucracy<sup>56</sup>. As it stands, the EU CBAM only exempts four countries which are either part of, or link their Emissions Trading Systems to that of the EU – Norway, Iceland, Liechtenstein, and Switzerland.
- The EU has decided to grant two adequacy decisions for the UK, allowing the personal data of EU citizens to be stored and processed on servers located in the UK. This however is at risk for two reasons. First, because the UK has signalled its intention to differentiate itself from the EU when it comes to the regulation of data. Second, because the UK may decide to allow the free transfer of personal data to countries, such as the US, that do not already have an EU adequacy agreement in place. This could allow personal data of EU citizens to be transferred, via the UK, to countries that the EU does not recognise as providing adequate data protection.

## 2 Overall impact of Brexit

The OBR in October provided its first assessment of the economic impact of leaving the EU since the UK's departure<sup>57</sup>. It looked at a comparison of UK goods trade trends with the EU and the rest of the world since the end of the transition period, and a model comparing UK goods trade with that of a 'doppelganger' (a weighted average of countries with trade patterns similar to the UK when it was an EU member). The early conclusion, based on data up to August, was that there had been a fall in trade intensity, and that this was consistent with the earlier OBR assumption<sup>58</sup> of a 15% fall compared with what would have happened had the UK not left the EU. That is, the OBR still expects a fall in output of 4% compared with what it would otherwise have been from Brexit. This remains a preliminary analysis because this data is only for goods trade and does not include services, the TCA has not yet been fully implemented, there are likely to be longer term effects on trading patterns as businesses re-structure, and trade data can be volatile and revised

<sup>54</sup> Financial Times (2021). '[UK postpones imposing checks on EU goods until 2022](#)', 14 September.

<sup>55</sup> Lowe S. (2021). '[EU-UK relations: there is no steady state](#)', 26 October.

<sup>56</sup> Notionally, there is also a charge proportionate to the amount of CO<sub>2</sub> embedded in the product. This is not relevant to the UK as the UK sets a high carbon price, and monies owed to the EU by importers can reflect charges paid in the country of origin.

<sup>57</sup> Office for Budget Responsibility (2021). '[Economic and Fiscal Outlook – October 2021](#)'

<sup>58</sup> As reported in the previous reference

frequently. It also does not take into account the effects of the exchange rate depreciation after the EU Referendum in June 2016 and its impact on trade flows.

The UK Trade Policy Observatory (UKTPO)<sup>59</sup> has also conducted its analysis of the impact of Brexit on trade in goods and as well as on trade in services (which account for 75% of London exports and 45% of UK exports<sup>60</sup>). Using a similar methodology to that reported by the OBR, for the period January – July 2021, they estimate that the TCA reduced goods exports to the EU by 14% and by 24% for imports from the EU. The effect on exports is mostly concentrated on a prominent decline in January 2021, while imports exhibit persistent negative effects throughout all months. In the first half of the year the TCA may have reduced service exports to the EU by 11.5%, and service imports from the EU by 37%.

Finally, it should be noted that economists continue to view the impact of Brexit on the UK economy to be more severe and long-lasting than the effects of COVID-19. For comparison the OBR estimates that the pandemic will reduce output over the medium-term by 2%.

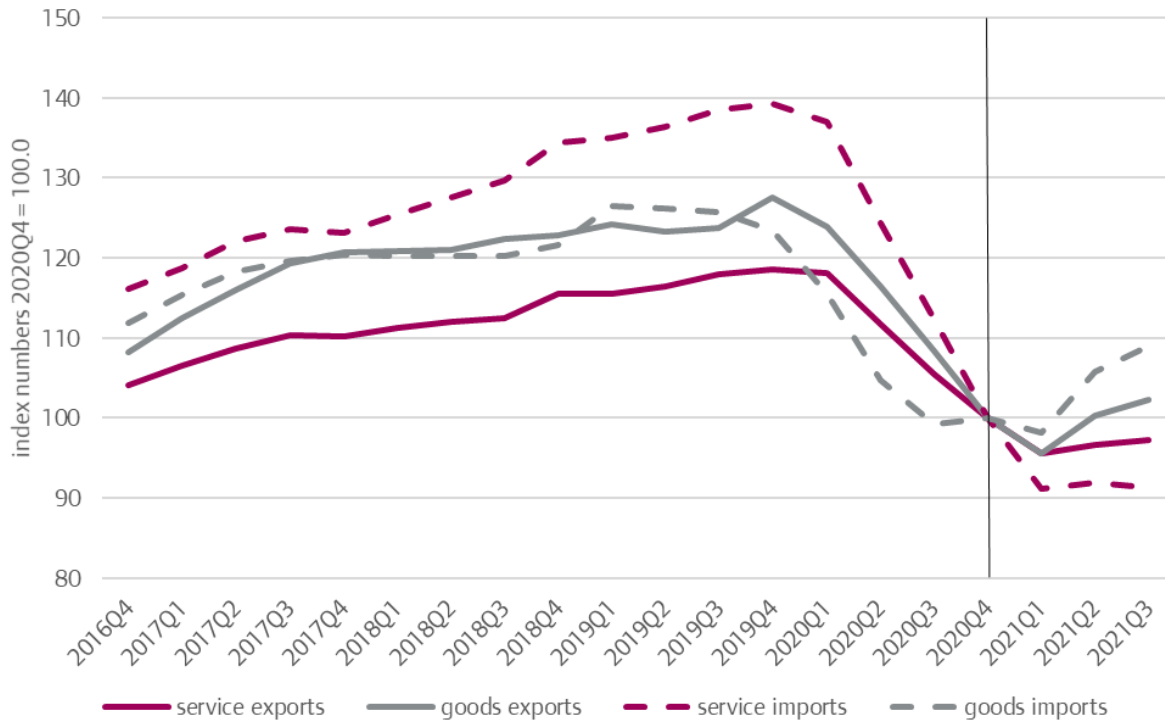
### **3 Early impacts of Brexit on services trade**

After the EU Referendum in June 2016 UK goods and services exports and imports increased. The exchange rate depreciation after the referendum made exports more competitive, while the UK's involvement in international supply chains may have increased demand for imports. After the onset of the pandemic trade collapsed to below 2016 levels. This continued after the TCA came into effect in the first quarter of this year, although subsequently there has been some recovery of goods trade, and less so for services trade (Figure 3.17).

<sup>59</sup> Ayele, Y. et al. (2021). '[Post-Brexit: Trade in goods and services \(II\)](#)', UK Trade Policy Observatory, Briefing Paper 63.

<sup>60</sup> Hope, M. (2020). '[An update on London's trade](#)', London's Economy Today supplement, August 2020, figures for 2017.

**Figure 3.17: UK goods and services trade after inflation, annual moving average, 2016 Q4 to 2021 Q3, index numbers 2020 Q4 = 100.0**



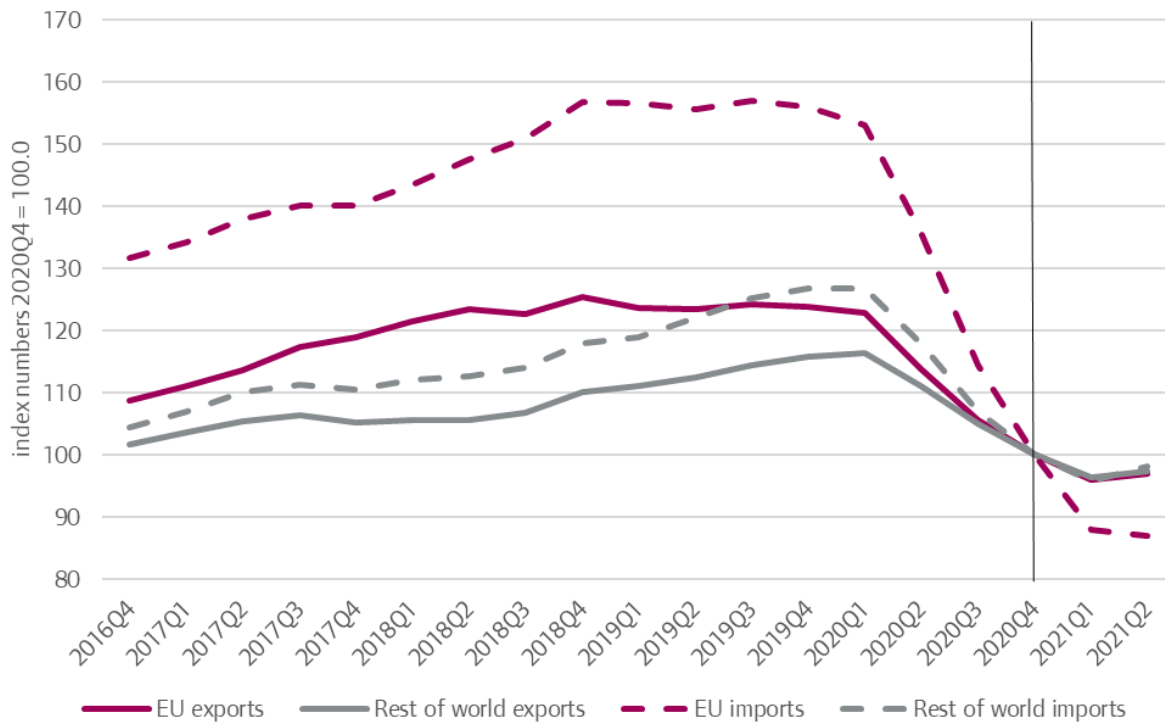
Source: ONS monthly trade statistics

Note: Inflation measure used is the GDP deflator

The expansion of UK trade in services with the EU after the EU Referendum continued into 2018 before flattening out, perhaps reflecting the uncertainty at the time about the UK's future relationship with the EU. Trade with the rest of the world continued to grow. UK services trade, both with the EU and beyond, fell dramatically during the pandemic. They have continued to fall this year. The trends, though, seems to have stabilised in Q2. Curiously, it is service imports from the EU which have fallen most, although the reasons for this are not, as yet, well understood (Figure 3.18).



**Figure 3.18: Trend in UK services trade, after inflation, to the EU and the rest of the world, annual moving average, 2016 Q4 to 2021 Q2, index numbers 2020 Q4 = 100.0**



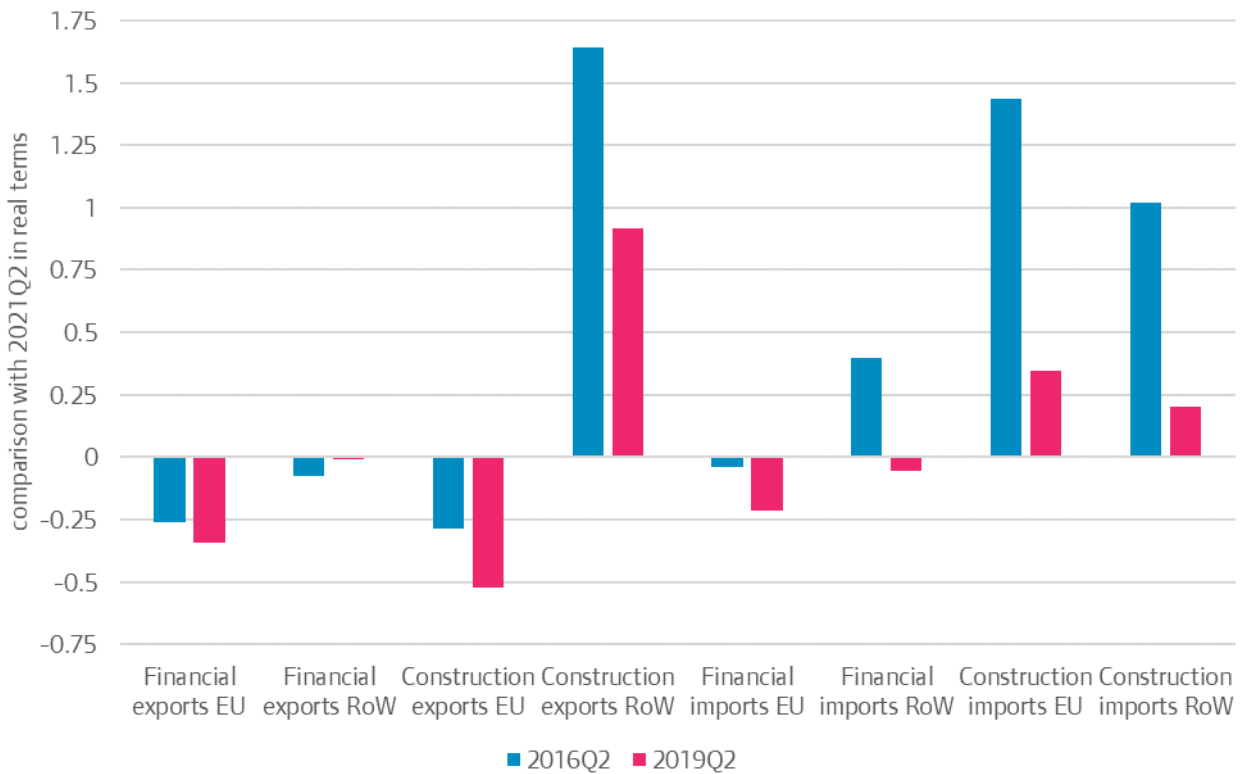
Source: ONS UK trade in services: service type by partner country

Note: Inflation measure used is the GDP deflator

In the first two quarters of this year exports to the EU fell across service categories<sup>61</sup>. For many categories, but not all, the growth in exports to the EU after the EU Referendum had been more than offset by the fall since the start of the pandemic. Some categories, such as Construction, have seen offsetting growth in exports to the rest of the world. Construction is also one of the categories which has seen an increase in imports from the EU and where the level in 2021 Q2 was higher than in 2016 Q2. The Financial category is one where exports have fallen to the EU and the rest of the world (Figure 3.19).

<sup>61</sup> The service trade exports series reports against the UN Extended Balance of Payments Services Classification (EBOPS 2010). This is primarily a product-based classification, and also includes transaction-based criteria. This compares with the SIC classification used in GLA Economics analysis which measures activity. Consequently the definitions of terms such as financial and construction will not be the same across classifications.

**Figure 3.19: Real terms percentage change in trade to the EU and the rest of the world for the UK financial and construction categories, 2016 Q2 and 2019 Q2 compared with 2021 Q2**



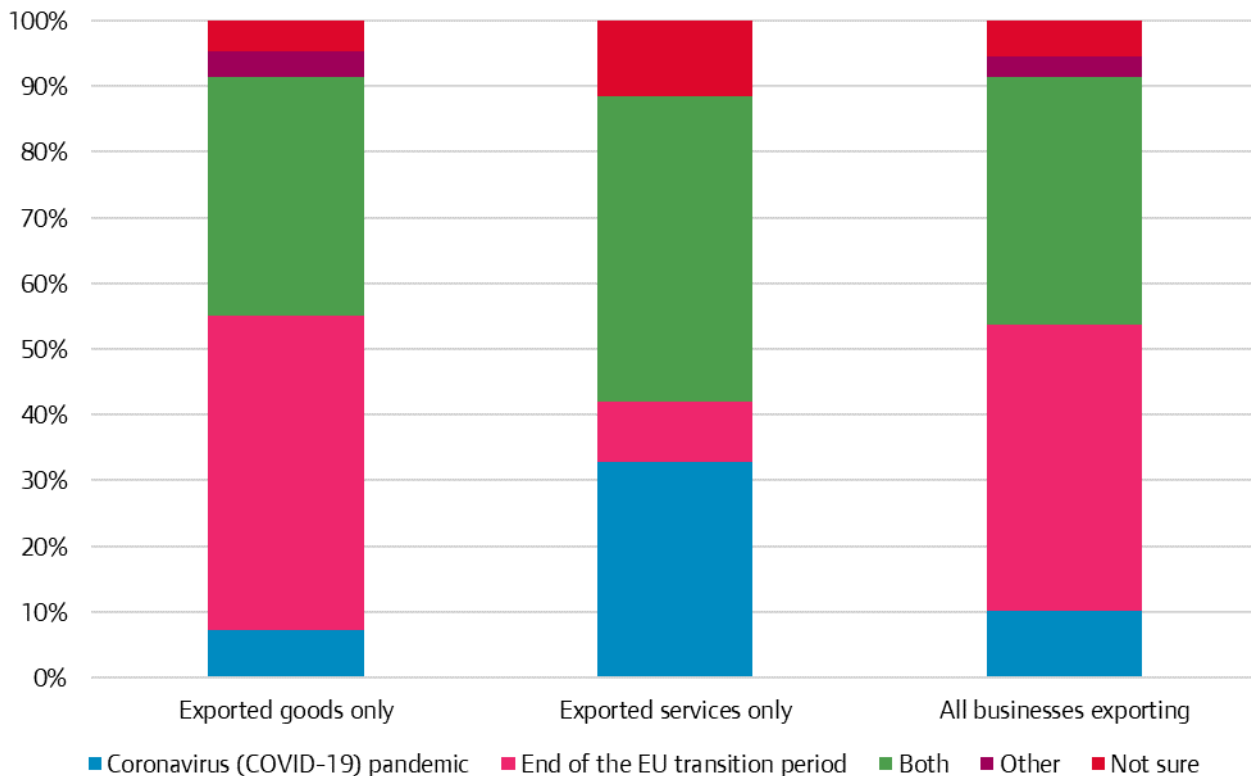
Source: ONS UK trade in services: service type by partner country

Note: Inflation measure used is the GDP deflator, and categories are UN EBOPS 2010

Evidence from business survey data suggests that goods exporters have been disproportionately impacted by the end of the EU transition period on its own while services exporters have been disproportionately impacted by the pandemic on its own, although a large share of both categories (over 35% in each case) have been impacted by both<sup>62</sup> (Figure 3.20). Of currently trading businesses, 55% exported goods, 37% exported services, and 7% exported both. In the two weeks 20 September – 3 October 32% of businesses had been exporting less than normal or had not been able to export. As for exporting businesses, for businesses with import challenges the end of the EU transition period is relatively much more important even though import checks have not yet been introduced.

<sup>62</sup> The analysis for this paragraph comes from the ONS Business Insights and Conditions Survey for 20 September – 3 October.

**Figure 3.20: Percentage of businesses currently trading that have exported in the last 12 months and reported an export challenge by export status, UK, 20 September – 3 October 2021**



Source: ONS analysis of ONS Business Insights and Conditions Survey

Note: analysis based on small sample sizes, so results will have a wide margin of error

#### 4 Early impacts of Brexit on migration

After the UK exit from the EU the UK introduced new immigration procedures for both EU nationals and nationals from other countries. This reduced the scope for immigration to low wage jobs. Additionally, many EU nationals have left the UK during the pandemic. The ONS estimates<sup>63</sup> that net migration to the UK of long-term migrants, those likely to stay more than a year, fell from 293,000 in 2019 to 33,000 in 2020. Net EU migration was 32,000 in 2019, and in 2020 in net terms 94,000 people left the UK. These are experimental statistics using a new modelling approach with a wide confidence interval. Others have estimated the net migration figures to be in the hundreds of thousands<sup>64</sup>.

The Migration Observatory reports<sup>65</sup> that 3,800 EU citizens applied for long-term Skilled Worker visas<sup>66</sup> in the first half of 2021. The low numbers will reflect the low demand for labour at this time, a lack of willingness on the part of individuals to travel during a pandemic, as well as the impact of Brexit. 60% of all

<sup>63</sup> ONS (2021). 'Long-term international migration, provisional: year ending December 2020'

<sup>64</sup> Sumption M. (2021), [Where did all the migrants go? Migration during the pandemic](#), The Migration Observatory, 5 February provides a discussion

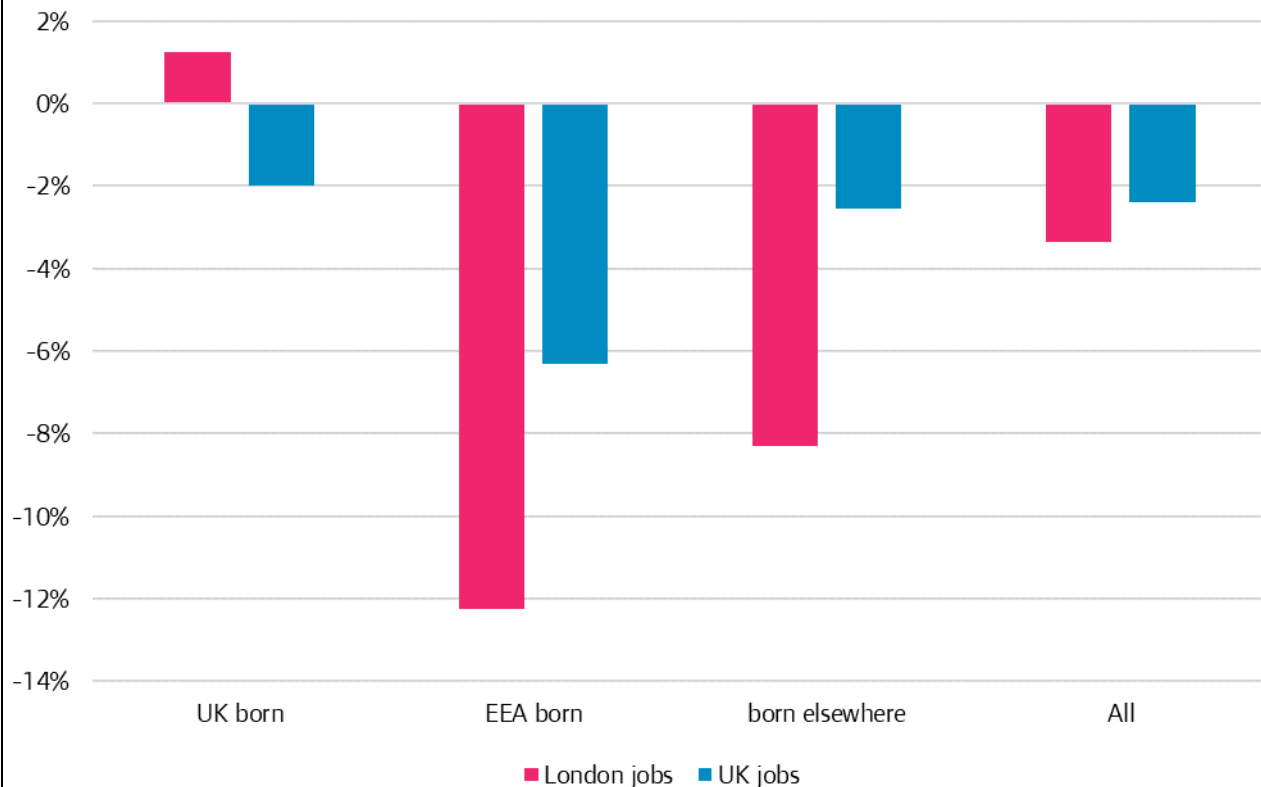
<sup>65</sup> Strain Z and Sumption M (2021). [Which Parts of the UK are Attracting the Most Skilled Workers from Overseas?](#). The Migration Observatory, 30 November 2021.

<sup>66</sup> The Skilled Worker visa is the main employer-sponsored visa for recruiting newly hired employees to work in the UK. Certificates of Sponsorship are assigned to migrants ahead of a work visa application, or an application to extend an existing visa. The analysis here is for out-of-country visa applications.

Certificates of Sponsorship<sup>67</sup> for EU skilled workers were assigned to people planning to work in London. This compares with 35% of non-EU citizens, who are also more concentrated in London.

Some of the EU nationals who have left the UK will have held jobs, while others will have not. Over the six quarters from 2020 Q1 to 2021 Q2 the fall in employment has disproportionately affected EU nationals. There were 12% fewer jobs in London held by people born in the EEA by the end of period, compared with 6% for the UK, while there had been a slight increase in jobs in London held by people born in the UK (Figure 3.21).

**Figure 3.21: Change in jobs by country of birth, London and the UK, 2020 Q1 and 2021 Q2**

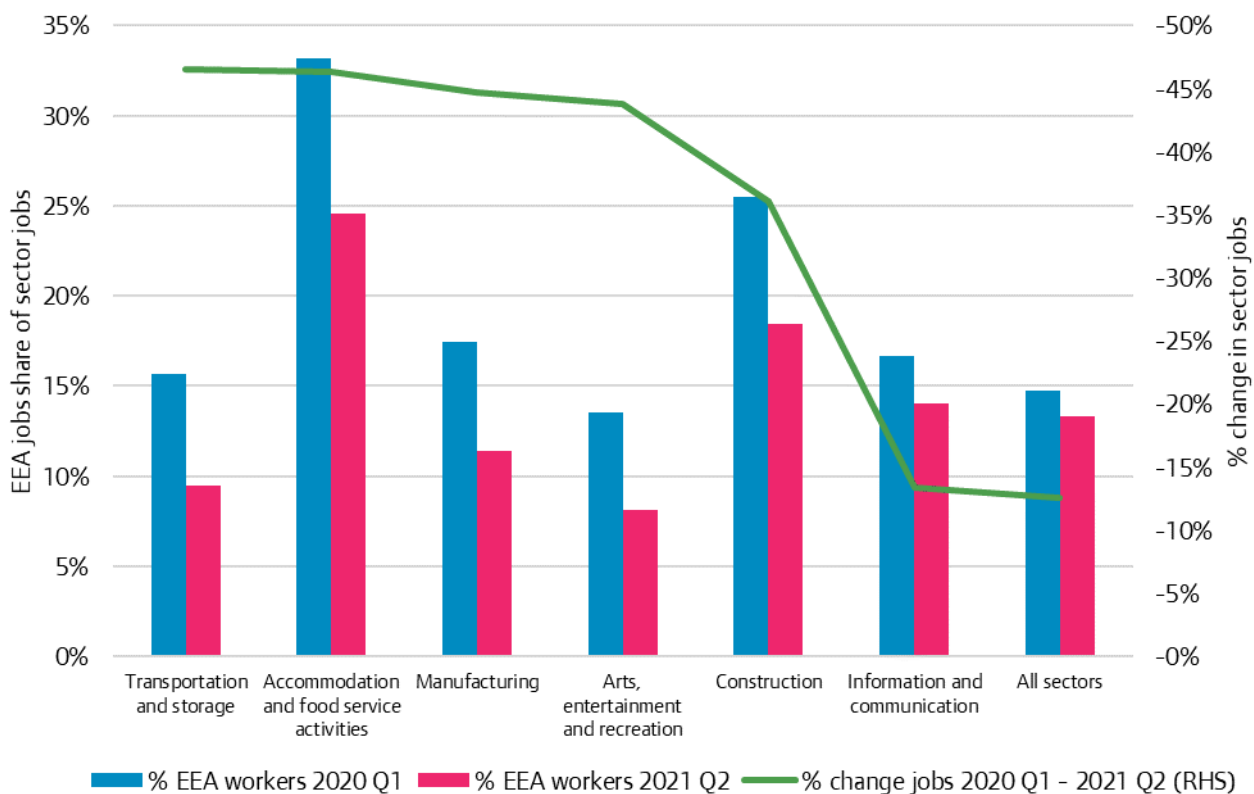


Source: ONS Annual Population Survey

Over the period 2020 Q4 to 2021 Q2 there has been a redistribution of jobs across London's sectors. The sectors proportionately losing most jobs also tend to be the sectors with a relatively high share of jobs held by EEA-born workers. Uniformly across these sectors the share of jobs held by EEA-born workers has declined (Figure 3.22). For example, the proportion of jobs in Accommodation and food services held by EEA-born workers has fallen from 33% to 25% over this period, and for Arts, entertainment and recreation the decline has been from 14% to 8%, while for London it has been from 15% to 13%.

<sup>67</sup> Ibid.

**Figure 3.22: Change in jobs and share of EEA jobs, London and sectors losing most jobs, 2020 Q4 to 2021 Q2**



Source: ONS Annual Population Survey

Note: 54% of jobs were lost in Primary & Utilities over this period. This has not been reported in the chart because of the relatively small size of this sector in London

Jobs held by EEA-born workers have risen in other sectors. In Administrative and support services the proportion of jobs held by EEA-born workers increased from 19% to 23% as the total number of jobs increased by 9%. As the sectors which contracted began to expand once again there has been a smaller pool of EEA-born workers from which to recruit because of: migration from the UK; more EEA-born workers in other sectors; and, restrictions on people entering the UK. This is hindering the recovery.

## 5 Conclusion

Evidence is emerging of how the TCA might be implemented in practice, and of the early effects of leaving the Single Market. There have been high profile disputes about the Northern Ireland protocol, and access to UK fishing waters which have been going on for months without being resolved. There is the potential for disputes in other areas such as Finance, and the sharing of data, which would be of more economic consequence. There are threats of escalation, which if acted upon might in due course lead to a trade war. The political environment may not be conducive to a stable business context.

As expected, the implementation of trade barriers with the EU has led to a fall in goods and services trade. By 2021 Q2 these falls seem to have stabilised, although there may be further effects as the economy restructures. Declines in trade provide a way to measure the impact of Brexit on the economy. An early and preliminary assessment suggests that it may reduce UK activity by 4% on a permanent basis and have twice the impact of the pandemic. While it is not straightforward to disentangle the effects of Brexit from the

panademic businesses are of the view that Brexit is having more impact on goods exports, and the pandemic on services exports although both types of trade are being impacted by both shocks.

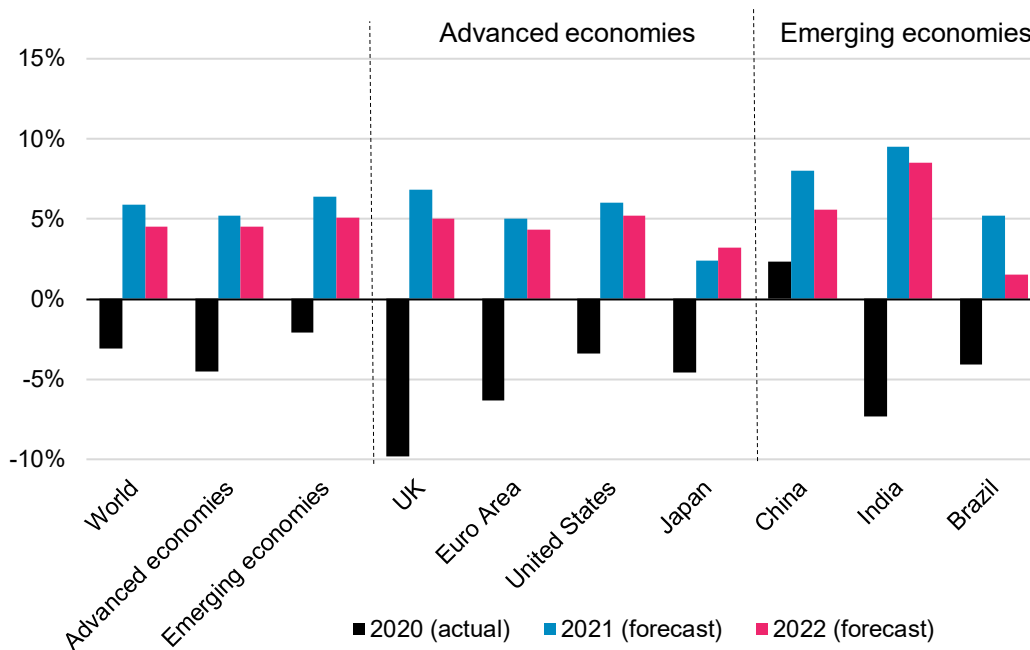
As the sectors which contracted during the pandemic began to expand once again there has been a smaller pool of EEA-born workers from which to recruit which is hindering the recovery.

### 3.3 The global economy

Economies across the planet contracted in 2020 with the spread of the pandemic and the introduction of public health restrictions. In 2021, the pandemic continued to have a major effect on the world's economies with differing impacts. The roll-out of vaccines in the advanced economies led to the easing of restrictions although with the Omicron variant and infection rates rising again in many countries a number have begun to reintroduce some controls. At the same time the global number of cases continues to be high with the number in emerging market countries likely being under reported.

The latest IMF World Economic Outlook<sup>68</sup>, forecasts that the world's economy will to grow by 5.9% this year (0.1 percentage points down from its July forecast) before easing to 4.5% next year (unchanged on the previous forecast). Advanced economies are projected to expand – on average – by 5.2% this year while emerging economies will grow – on average as well - by 6.4%. This implies that the global economy is recovering from the 2020 global recession (Figure 3.23).

**Figure 3.23: IMF forecasts of real GDP growth for selected economies**



Source: IMF – World Economic Outlook, October 2021.

The advanced economies shrank by -4.5% on an annual basis in 2020. The IMF expects growth in 2021 of 5.2% (down 0.4 percentage points on the July 2021 forecast), with it expected to moderate to 4.5% in 2022 (up 0.1 percentage points on their last forecast). Across most advanced economies output is expected to have recovered to its pre-COVID level by 2022.

<sup>68</sup> IMF (2021). [‘World Economic Outlook: Recovery During a Pandemic’](#), October 2021.



Looking at the advanced economies in more detail, the **US** economy grew by 2.1% year on year in Q3 2021. This follows a year on year expansion of 6.7% in Q2 2021<sup>69</sup>. In November 2021, non-farm payroll employment rose by 210,000 and the unemployment rate declined to 4.2%<sup>70</sup>. The US President, Joe Biden, has signed a \$1.2tn bill for over eight years of investment in infrastructure, and a further \$1.75tn for a "Build Back Better" bill to invest in early childhood education has been passed by Congress. Looking forward the IMF expects the US economy to expand by 6.0% in 2021 (a 1.0 percentage points reduction on their July forecast) and 5.2% in 2022 (0.3 percentage points upgrade on their previous forecast).

The **Eurozone's** economy has continued to grow. In Q3 2021, GDP increased by 2.2% on a quarter-by-quarter basis, and 3.7% on an annual basis<sup>71</sup>. This followed growth of 2.1% in Q2 2021. The IMF forecasts that the Eurozone will grow by 5.0% in 2021 (an upgrade of 0.4 percentage points on their July forecast) and by 4.3% in 2022 (unchanged on July). Meanwhile, the European Commission forecasts growth of 5.0% in 2021, 4.3% in 2022 and 2.4% in 2023<sup>72</sup>. The European Central Bank (ECB) has kept interest rates on deposits negative to support the recovery but has also warned about 'exuberance' in asset markets. The EU continues to provide recovery funds to member states.

The **Japanese** economy shrank by 3.6% year-on-year in the third quarter of 2021, a worse drop than initially expected and followed on from growth in the second quarter, as shrinking domestic demand and global supply chain issues hit their recovery. In response the Japanese government has announced a ¥43.7tn (£284bn) stimulus package. Still, the IMF expects that Japan's economy will expand by 2.4% in 2021 (0.4 percentage point lower than in their previous forecast), and by 3.2% in 2022 (0.2 percentage points higher than previously forecast).

### Emerging market economies

Growth in the emerging market economies is also expected this year. The IMF expects growth of 6.4% in 2021 and growth of 5.1% in 2022<sup>73</sup> (an upgrade of 0.1 percentage points for 2021, and a downgrade of 0.1 percentage points for 2022 on their July forecast). However, the IMF has noted that "the rapid spread of virus mutations and uneven access to vaccines pose a threat to the economic recovery"<sup>74</sup>.

Of the major emerging markets, **China's** economy grew by just 0.2% between Q2 and Q3 in 2021. Still the IMF expects growth to be 8.0% in 2021 before slowing to 5.6% in 2022 (a downgrade of 0.1 percentage points for both years on their previous forecast). This is generally in line with the forecasts by the Asian Development Bank (ADB) that expects growth of 8.1% in 2021 and 5.5% in 2022<sup>75</sup>.

Meanwhile, **India's** economy is estimated to have grown by 20.1% year-on-year in the three months to June 2021 as it recovered from the outbreak of the Delta variant. Looking at the year as a whole the IMF expects growth of 9.5% in 2021, and 8.5% in 2022 (unchanged on their previous forecast). The ADB expects strong growth this year and next with growth of 10.0% in 2021 and 7.5% in 2022.

In **Russia**, the economy grew by 4.3% year-on-year in the third quarter of 2021 down from 10.5% in the second quarter. The IMF, as it does with other economies, expects growth this year and next with forecasts

<sup>69</sup> Bureau of Economic Affairs (2021). '[Gross Domestic Product, Third Quarter 2021 \(Second Estimate\); Corporate Profits, Third Quarter 2021 \(Preliminary Estimate\)](#)', 24 November 2021.

<sup>70</sup> US Bureau of Labor Statistics (2021). '[Employment Situation Summary](#)', 3 December 2021.

<sup>71</sup> Eurostat (2021). '[GDP and employment flash estimates for the third quarter of 2021](#)', 16 November 2021.

<sup>72</sup> European Commission (2021). '[Autumn 2021 Economic Forecast: From recovery to expansion, amid headwinds](#)', 11 November 2021.

<sup>73</sup> IMF (2021). '[World Economic Outlook: Recovery During a Pandemic](#)', October 2021.

<sup>74</sup> IMF (2021). '[Global Financial Stability Report: COVID-19, Crypto and Climate](#)', October 2021.

<sup>75</sup> Asian Development Bank (2021). '[Asian Development Outlook 2021: Update](#)', September 2021.

of 4.7% in 2021 and 2.9% in 2022 (an upgrade of 0.3 percentage points for this year and a downgrade of 0.2 percentage points for next year compared with their previous forecast).

### 3.4 Risks to London's economy

The outlook for the UK's economy remains very uncertain at the moment, and this situation applies to the capital as well. There are both upside and downside risks to the economy and they come from several sources. This subsection analyses the most relevant ones.

As was the case in the previous forecast, the main risk to London's economic outlook in the short to medium term is around the recovery from the COVID-19 crisis. As noted, the initial outbreak of COVID-19 and associated lockdown measures produced a historic fall in both aggregate demand and aggregate supply as a result of restrictions on mobility and economic activity and also due to a precautionary response by economic agents under a new and extraordinarily uncertain context. As these factors reduced the economy recovered, if less than fully, before weakening again during the subsequent lockdowns. Since the roll out of the vaccination programme and ending of the third lockdown, growth resumed at an initially strong rate but slowed somewhat in the third quarter of 2021. The announcement of the Omicron variant in late November adds a new level of high uncertainty to the short-term economic outlook. Although it should be noted that the spread of the Delta variant earlier in the year did not lead to the introduction of stricter public health measures due to the successful vaccine rollout, and so far the restrictions in relation to the new variant have increased over time but remain significantly below those of a full lockdown.

Still, if there are no further lockdowns due to a resurgence in infections or the impact of new variants, it is likely that business and consumer confidence will retain some strength over the coming months, although this is likely to be a bit more subdued than initially expected due to tightening restrictions. Still it is likely that consumers will continue to spend some of the savings accumulated over the last year from diminished opportunities to travel and socialise. These are thus upside potentials for the economy if these trends continue or accelerate. There are more downside risks, as noted, due to new variants, like the Omicron variant, or rising infection rates leading to either a significant loss of business and consumer confidence or the need to reimpose stringent restrictions to slow the spread of the disease. In this context there may be a challenge for interest rate setting if the Bank of England seeks to keep interest rates low or rising very gradually to promote job creation and growth, if the inflationary pressures we are currently witnessing prove more long term than currently expected. This may be exacerbated if there is a restructuring of the economy, and some unemployed people find it difficult to find work because they do not have the right skills.

In this context, labour productivity growth – which has remained below historical standards in London since the 2008-2009 financial crisis<sup>76</sup> – is not expected to be one of the levers of economic recovery from this crisis. On the contrary, our judgement is that it will remain weak in the medium term due to continued low private investment and a larger share of the workforce working remotely. Analysis for the GLA<sup>77</sup> has concluded that the Central Activities Zone will recover, but the time this takes to happen will limit the economic benefits reaped from agglomeration economies. The effects on the long-term for London's economy remain very uncertain.

A second risk factor for the evolution of London's recovery is the international context. In this sense, while some global geopolitical risks have lessened slightly compared with 2020, the world's economic outlook remains highly uncertain as already described in [subsection 3.3](#) of this report. There are also direct losses to London from reduced tourism and trade, and it is implausible that the world's economy will fully recover from the pandemic crisis until all the world's population is vaccinated.

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<sup>76</sup> See GLA Economics (2019). '[Productivity trends in London: An evidence review to inform the Local Industrial Strategy evidence base](#)'.

<sup>77</sup> Arup and others (2021). '[Central Activities Zone \(CAZ\) economic futures research](#)', March 2021.

Another risk to London's economy is the potential adverse effects of the unprecedented expansionary monetary and fiscal policies that UK authorities undertook to mitigate the negative impact of the COVID-19 crisis. On the fiscal policy side, although the economic support packages have started to be rolled back, the projected size of the fiscal deficit in coming years and the tax take of the Government are expected to hit levels not seen for several decades. These figures represent a shock to UK public finances. There continues to be a risk of further fiscal consolidation measures, especially if, say, an increase in interest rates pushes up public sector borrowing costs, or pressures on public services leads to further public spending. The risk that current fiscal policies are withdrawn prematurely resulting in a slower economic recovery has reduced as the Chancellor announced a gradual tightening of public sector spending in the Autumn Budget although this will be combined with tax rises in the next financial year. On the monetary policy side, the Bank of England has so far maintained interest rates at historic lows, provided record liquidity to businesses, and the size of its Quantitative Easing Programme was 4.5 times larger in November 2020 than it was during the 2009 financial crisis<sup>78</sup>. These measures can certainly help to stimulate economic activity while in place but they also have potential adverse impacts on the economy. For example, higher inflation in particular impacting financial and real assets (including housing<sup>79</sup>), discouraging people from saving as negative real interest rates make consumption relatively more attractive, and the distortion of information that prices in financial markets provide naturally without intervention (i.e., prices do not reflect the actual asset risk under the current monetary expansion so riskier assets cannot be differentiated from safer assets, thus promoting non-viable investment projects eventually). Further, inflationary pressures have been rising rapidly over the later part of 2021 and if these persist not only will this lead to faster than previously expected interest rate rises but could also lead to declining real wages even as nominal wage growth picks up. This in turn could lead to pressures on consumer spending or a wage/price spiral to compensate for declining disposable incomes.

Finally, and regardless of the COVID-19 crisis, the main long-term risk to London's economy is around how the new trading arrangements between the UK and the EU will eventually affect activity in the capital. The silence of the Trade and Cooperation Agreement on measures to ease trading frictions in services from exiting the Single Market is to the detriment of the London economy which is likely to become less export-oriented as a result. As well as the longer-term implications some trade has been falling in 2021 as local businesses – especially small and medium-sized enterprises – need time and resources to adjust to the new legal framework, and some have been deterred completely from exporting. As shown in previous GLA Economics publications<sup>80</sup>, Brexit-related uncertainty is thought to have negatively affected London's economy through lower investment, labour productivity and consumer confidence since the 2016 referendum.

### 3.5 Conclusion

The unprecedented fall in London's economic activity over 2020 reflected a decline in both demand and supply because of the COVID-19 pandemic. However, with the successful roll out of the vaccine programme in 2021 Government restrictions on mobility have been removed and, as economic agents responded to an increase in economic certainty, the economy began to recover.

Despite the unprecedented policy response by UK authorities all London industries were affected by the COVID-19 crisis to some extent, with some such as Accommodation and food services, and Arts and entertainment being particularly heavily hit. And although these sectors have begun to recover, the more heavily hit sectors continue to lag the recovery in the rest of the capital's economy.

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<sup>78</sup> Source: [Bank of England](#).

<sup>79</sup> See Johnson, P. (2020). '[Ultra-low interest rates have huge consequences for the country and its citizens](#)'.

<sup>80</sup> See GLA Economics (2019). '[The economic impact of Brexit on London](#)'.

Looking ahead, the outlook for London's economy remains unusually uncertain as risks to the economic recovery are many and still remain skewed to the downside, especially with the emergence of the Omicron variant. Factors such as the control and end of the pandemic, the evolution of the national and global economies, the ongoing effects of Brexit and the response of economic agents to all these upcoming developments will critically determine the evolution of the capital's economy over the coming year.

Considering all these elements, GLA Economics provides its medium-term scenario-based forecasts for London's economy in [Chapter 5](#) of this document which takes account of all social restrictions as announced by 8 December.

## 4. Review of independent forecasts

GLA Economics forecasts four economic indicators: workforce jobs, real GVA, private consumption (household expenditure) and household income in London. This chapter summarises the consensus view as of 8 December 2021 on the first three of these indicators<sup>81</sup>, drawing on forecasts from outside (independent) organisations<sup>82</sup>. The following chapter provides a summary of GLA Economics' own projections.

All the external forecasts were produced after the March 2021 Budget and over the period March to November. Three of the four external forecasts were produced since September.

Both annual growth rates and 'standardised' absolute levels are reported. All the data is in real terms (constant prices). The source for the historic data on GVA and workforce jobs presented in the following tables and charts is GLA Economics modelling, which in turn uses ONS data<sup>83</sup>. The source of historical data for Household Income and Expenditure is a mixture of Experian Economics (EE) for growth rates and GLA Economics modelling using EE data for the absolute levels data.

Beyond the headline, both the external consensus and GLA Economics deliver forecasts for employment and output growth in six broad sectors:

- Manufacturing
- Construction
- Transportation and storage
- Distribution<sup>84</sup>, accommodation and food service activities
- Finance and business services<sup>85</sup>
- Other (public & private) services<sup>86</sup>.

It should be noted, that since our spring 2012 forecast, GLA Economics has been using the 2007 Standard Industrial Classification (SIC 2007)<sup>87</sup>.

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<sup>81</sup> The consensus forecast for GVA and employment is based on the latest available forecast from Cambridge Economics, CEBR, Experian and Oxford Economics.

<sup>82</sup> Most forecasters do not yet provide forecasts of household income, while a number of forecasters have not produced estimates of household expenditure since the onset of the pandemic.

<sup>83</sup> The main underlying ONS source for output is the [Quarterly country and regional GDP](#) series and the main underlying ONS source for employment is [Workforce jobs by region and industry](#).

<sup>84</sup> Distribution is made from the summation of Wholesale and Retail.

<sup>85</sup> Business services is made from the summation of Information and Communication, Professional, scientific and technical services, Real estate, and Administrative and support service activities.

<sup>86</sup> This is made from the summation of Public admin and defence, Education, Health, Arts, entertainment and recreation and Other services.

<sup>87</sup> For more information see Appendix A of ['London's Economic Outlook: Spring 2012'](#), GLA Economics, June 2012.

## Output

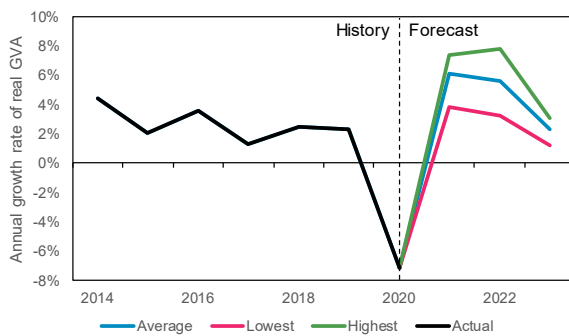
(London GVA, constant prices (base year 2018), £ billion)

The consensus (mean average) forecast puts real output growth at 6.1% in 2021, 5.6% in 2022 and by 2.3% in 2023. The consensus forecast implies a recovery to pre-pandemic levels of activity in 2022.

The mean estimates in May 2021 were for growth of 5.6% in 2021, 5.9% in 2022 and 2.0% in 2023. This implies that since May the consensus projection for the size of London's economy by 2023 has risen around 0.7%.

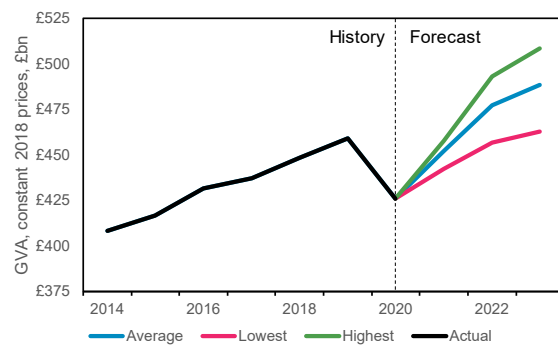
The widest range of estimates for growth comes in 2022, when there is a difference of 4.5ppts between the highest and lowest output growth estimates. The highest-growth profile would see London's economy 4.1% larger than the consensus profile by 2023. The lowest-growth profile would see London's economy 5.3% smaller than the consensus profile by 2023. The levels of output under the highest- and lowest-growth profiles differ by just under 10%. The difference between the highest and lowest profiles in May was 11.5%.

### Annual growth



| Annual growth (%) |      |      |      |
|-------------------|------|------|------|
|                   | 2021 | 2022 | 2023 |
| Average           | 6.1  | 5.6  | 2.3  |
| Lowest            | 3.9  | 3.3  | 1.3  |
| Highest           | 7.4  | 7.8  | 3.1  |

### Level (constant year 2018, £ billion)



| Level (constant 2018 prices, £ billion) |       |       |       |
|---|-------|-------|-------|
|   | 2021  | 2022  | 2023  |
| Average                                 | 452.2 | 477.5 | 488.4 |
| Lowest                                  | 442.6 | 457.0 | 462.8 |
| Highest                                 | 457.5 | 493.2 | 508.5 |

### History: Annual growth (%)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------|------|------|------|------|------|------|------|------|------|------|
| 2.8  | 3.6  | 4.1  | 3.4  | 4.4  | 2.0  | 3.6  | 1.3  | 2.5  | 2.4  | -7.1 |

### History: Level (constant 2018 prices, £ billion)

| 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 350.9 | 363.5 | 378.2 | 391.2 | 408.4 | 416.8 | 431.8 | 437.4 | 448.4 | 458.9 | 426.2 |

## Employment

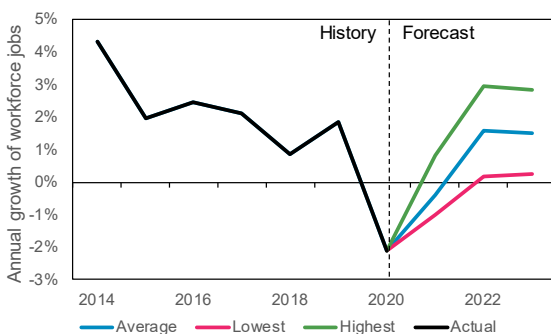
(London workforce jobs)

The consensus forecast is for a 0.4% decline in workforce jobs in 2021, followed by growth of 1.6% in 2022 and 1.5% in 2023, largely in line with historical averages since 2000. The consensus implies that job numbers will recover to pre-pandemic levels only in 2023.

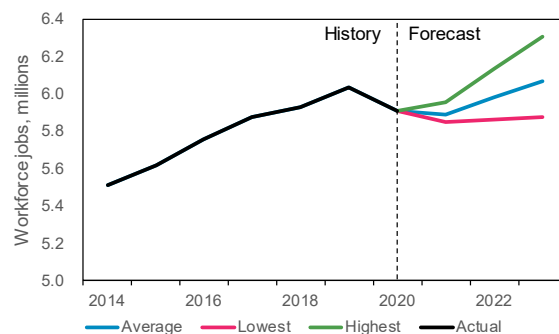
Compared to May 2021, the consensus forecast has become less negative in the near term but less positive in the medium term. The previous consensus forecast saw a 0.9% decline in jobs this year, followed by a 2.5% advance in 2022 and 1.7% in 2023. Overall, the consensus forecast for the size of the job market in London by 2023 has declined 0.8% since May 2021.

The range of estimates covers a wide variety of outcomes for London's employment. The widest range of growth projections is in 2022, with a 2.8ppt difference between the highest and lowest forecasts, but the 2.6ppt difference in 2023 is similarly wide. The lowest-growth profile offers a picture of persistent stagnation in London's job market, with employment 3.2% below the consensus level by 2023. The highest-growth profile implies two years of the strongest job growth since 2008, leaving employment 4% above the consensus by 2023. There are 7.4% more jobs in the highest-growth profile than in the lowest-growth profile by 2023, though this is in fact down from a gap of 8.3% in the May 2021 range of forecasts.

### Annual growth



### Level (millions of workforce jobs)



| Annual growth (%) |      |      |      |
|-------------------|------|------|------|
|                   | 2021 | 2022 | 2023 |
| Average           | -0.4 | 1.6  | 1.5  |
| Lowest            | -1.0 | 0.2  | 0.2  |
| Highest           | 0.8  | 2.9  | 2.8  |

| Level (millions of persons) |      |      |      |
|-----------------------------|------|------|------|
|                             | 2021 | 2022 | 2023 |
| Average                     | 5.89 | 5.98 | 6.07 |
| Lowest                      | 5.85 | 5.86 | 5.88 |
| Highest                     | 5.96 | 6.13 | 6.31 |

### History: Annual growth (%)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------|------|------|------|------|------|------|------|------|------|------|
| -0.4 | 1.7  | 4.2  | 2.9  | 4.3  | 2.0  | 2.5  | 2.1  | 0.9  | 1.8  | -2.1 |

### History: Level (millions of persons)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------|------|------|------|------|------|------|------|------|------|------|
| 4.8  | 4.9  | 5.1  | 5.3  | 5.5  | 5.6  | 5.8  | 5.9  | 5.9  | 6.0  | 5.9  |



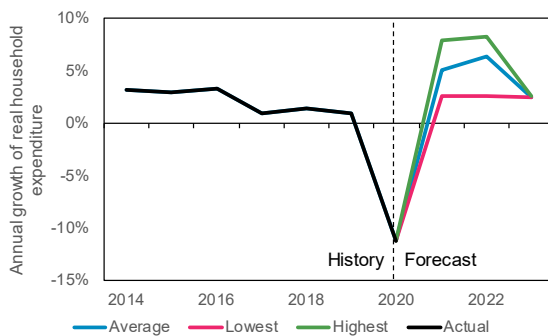
## Household expenditure

The consensus forecast sees consumer spending grow 5.1% in 2021, 6.3% in 2022, which is the fastest since 2001, and 2.5% in 2023. The consensus implies that spending will recover to pre-pandemic levels in 2023.

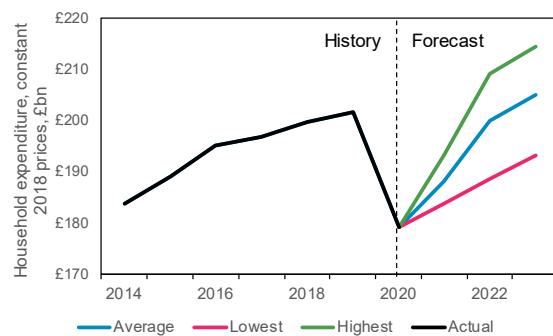
This consensus is more positive about expenditure growth than in May 2021 across the full forecast period. The consensus forecast in May anticipated growth of 2.6% in 2021, 4.0% in 2022 and 2.5% in 2023. This means the consensus forecast for total consumer spending in London by 2023 has increased by 1.7% since May.

As with employment, the highest and lowest growth estimates paint very different pictures of the outlook. The widest range of growth projections is in 2022, with a 5.7ppt difference between the highest and lowest, but the range of forecasts converges by 2023, coming back to growth near post-2000 averages. The lowest growth profile points to an 'L-shaped' path for consumers, with no above-average growth rebound from the collapse in spending in 2020. This profile leaves expenditure 5.8% below the consensus by 2023. Meanwhile the highest-growth path sees spending recover to pre-pandemic levels by 2022, with spending 4.6% above consensus by 2023. Overall, expenditure by 2023 is over 11% higher in the highest-growth profile than in the lowest-growth profile, from a range of nearly 12% in May.

### Annual growth



### Level (constant 2018 prices, £ billion)



| Annual growth (%) |      |      |      |
|-------------------|------|------|------|
|                   | 2021 | 2022 | 2023 |
| Average           | 5.1  | 6.3  | 2.5  |
| Lowest            | 2.6  | 2.6  | 2.5  |
| Highest           | 7.9  | 8.3  | 2.6  |

| Level (constant year 2016, £ billion) |       |       |       |
|---------------------------------------|-------|-------|-------|
|                                       | 2021  | 2022  | 2023  |
| Average                               | 188.1 | 200.0 | 205.0 |
| Lowest                                | 183.7 | 188.5 | 193.2 |
| Highest                               | 193.3 | 209.2 | 214.6 |

### History: Annual growth (%)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020  |
|------|------|------|------|------|------|------|------|------|------|-------|
| 2.4  | 0.0  | 2.1  | 2.8  | 3.2  | 2.9  | 3.2  | 0.9  | 1.4  | 1.0  | -11.2 |

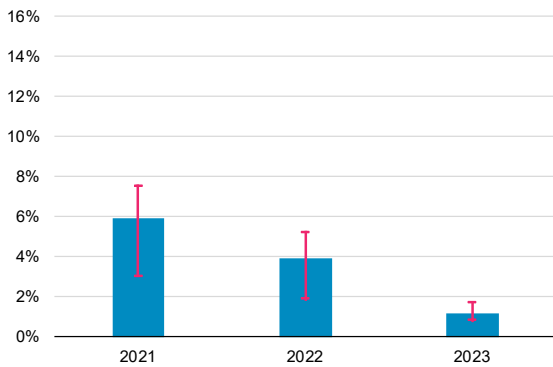
### History: Level (constant 2018 prices, £ billion)

| 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 169.6 | 169.6 | 173.2 | 178.0 | 183.7 | 189.0 | 195.1 | 196.9 | 199.7 | 201.6 | 179.0 |

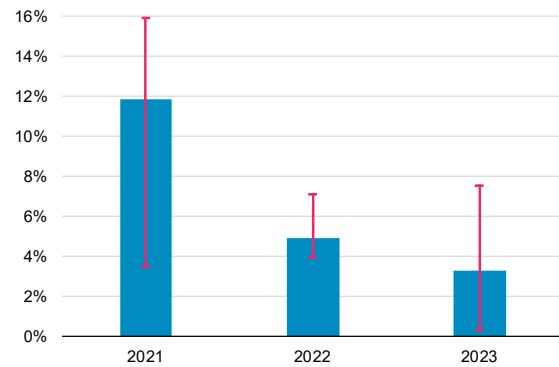
## Output growth by sector

The consensus forecast sees output growing in all sectors of London's economy across 2021 to 2023. The fastest growth is expected in the Construction sector in 2021 (11.9%), but this also has the widest range of estimates. The Distribution, accommodation and food services sector has the highest cumulative average growth of 7.5% per year from 2021 to 2023.

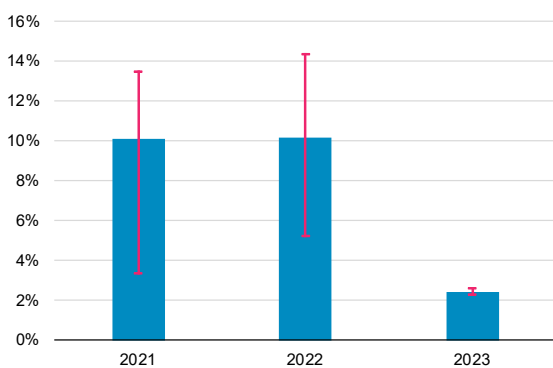
### Manufacturing



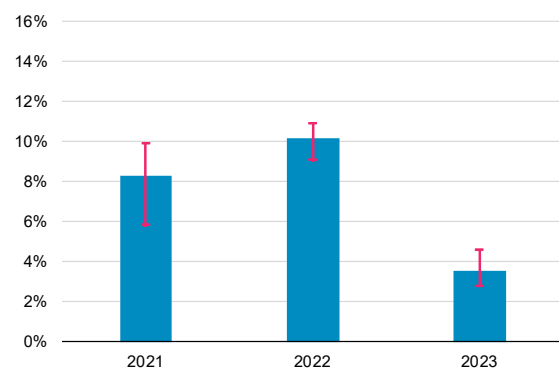
### Construction



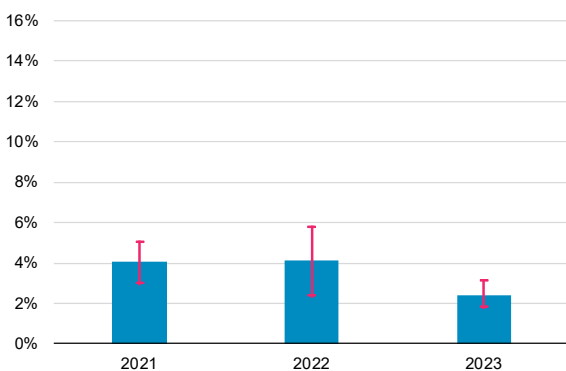
### Distribution, accommodation and food service activities



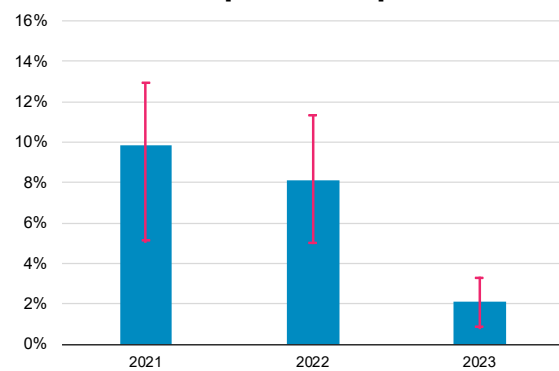
### Transportation and storage



### Finance and business



### Other services (public and private)

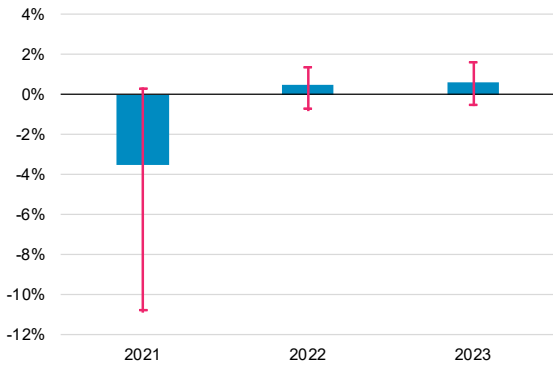


|  |         | 2021 | 2022 | 2023 |  |         | 2021 | 2022 | 2023 |
|--|---------|------|------|------|--|---------|------|------|------|
| <b>Manufacturing</b>                                   | Average | 5.9  | 3.9  | 1.2  | <b>Construction</b>                        | Average | 11.9 | 4.9  | 3.3  |
|  | Lowest  | 3.0  | 1.9  | 0.8  |  | Lowest  | 3.5  | 3.9  | 0.3  |
|  | Highest | 7.5  | 5.2  | 1.7  |  | Highest | 15.9 | 7.1  | 7.5  |
| <b>Distribution, accommodation &amp; food services</b> | Average | 10.1 | 10.2 | 2.4  | <b>Transportation and storage</b>          | Average | 8.3  | 10.1 | 3.5  |
|  | Lowest  | 3.3  | 5.2  | 2.3  |  | Lowest  | 5.8  | 9.1  | 2.8  |
|  | Highest | 13.5 | 14.3 | 2.6  |  | Highest | 9.9  | 10.9 | 4.6  |
| <b>Finance and business</b>                            | Average | 4.0  | 4.1  | 2.4  | <b>Other services (public and private)</b> | Average | 9.8  | 8.1  | 2.1  |
|  | Lowest  | 3.0  | 2.4  | 1.8  |  | Lowest  | 5.1  | 5.0  | 0.8  |
|  | Highest | 5.0  | 5.8  | 3.1  |  | Highest | 12.9 | 11.3 | 3.3  |

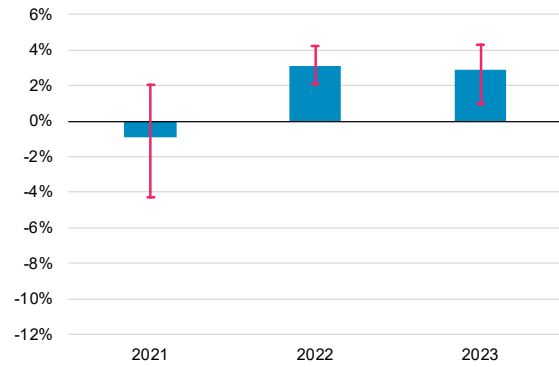
## Employment growth by sector

The consensus forecast sees a contraction in employment in most sectors in 2021, followed by steady growth in 2022 and 2023. The fastest growth is expected in Construction in 2022 (3.1%) and the deepest contraction is expected in the Manufacturing sector in 2021 (-3.5%). Other services have the highest cumulative average growth of 1.8% per year 2021 to 2023.

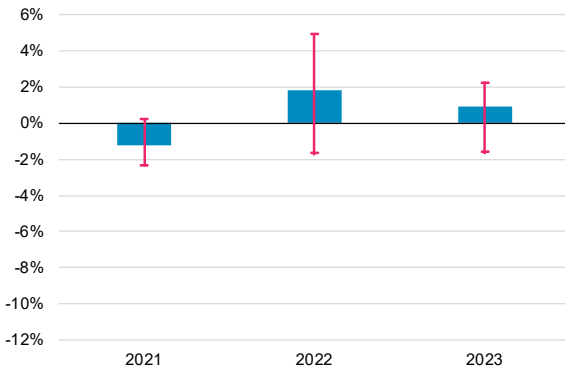
### Manufacturing



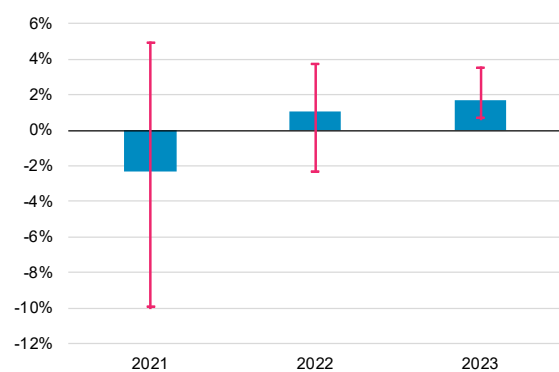
### Construction



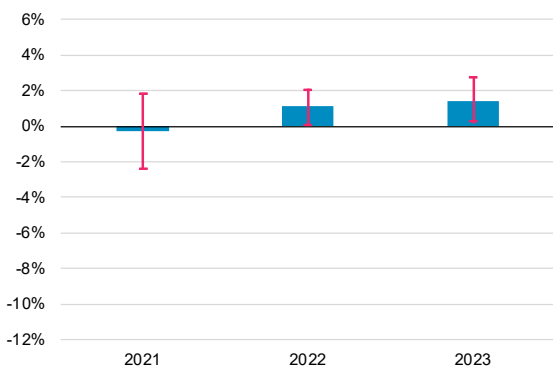
### Distribution, accommodation and food service activities



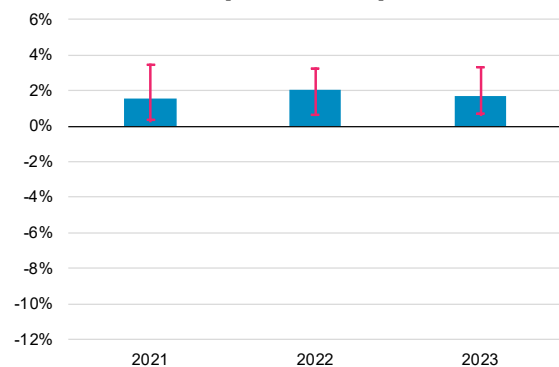
### Transportation and storage



### Finance and business



### Other services (public and private)



|  |         | 2021  | 2022 | 2023 |  |         | 2021  | 2022 | 2023 |
|--|---------|-------|------|------|--|---------|-------|------|------|
| <b>Manufacturing</b>                                   | Average | -3.5  | 0.4  | 0.6  | <b>Construction</b>                        | Average | -0.9  | 3.1  | 2.9  |
|  | Lowest  | -10.8 | -0.7 | -0.5 |  | Lowest  | -4.3  | 2.1  | 0.9  |
|  | Highest | 0.3   | 1.3  | 1.6  |  | Highest | 2.0   | 4.2  | 4.3  |
| <b>Distribution, accommodation &amp; food services</b> | Average | -1.2  | 1.8  | 0.9  | <b>Transportation and storage</b>          | Average | -2.3  | 1.0  | 1.7  |
|  | Lowest  | -2.4  | -1.7 | -1.6 |  | Lowest  | -10.0 | -2.3 | 0.6  |
|  | Highest | 0.2   | 4.9  | 2.2  |  | Highest | 4.9   | 3.7  | 3.5  |
| <b>Finance and business</b>                            | Average | -0.3  | 1.1  | 1.4  | <b>Other services (public and private)</b> | Average | 1.5   | 2.1  | 1.7  |
|  | Lowest  | -2.4  | 0.0  | 0.2  |  | Lowest  | 0.3   | 0.6  | 0.7  |
|  | Highest | 1.8   | 2.0  | 2.7  |  | Highest | 3.4   | 3.2  | 3.3  |

## 5. The GLA Economics reference forecast

For business planning purposes (for example, the likely course of revenue), estimates of job numbers and output at a range of points in time are required. The medium-term planning projections (this forecast) provide those estimates.

This forecast differs from the GLA's long-term employment projections<sup>88</sup>, which are trend-based. Trend projections, by definition, do not incorporate cyclical variations and the actual course of output and employment will vary around this trend. While trend projections are essential for planning to provide capacity (such as office space, housing and transport), accommodating the needs of the economy throughout and at the peak of the cycle, business planning requires estimates of actual economic aggregates, including cyclical paths.

As time progresses and more data become available, it becomes possible to identify turning points in the data; whether underlying trends are continuing, or new trends are being established.

The source for historic data in the below tables and charts is GLA Economics modelling using ONS data.

As in the Spring 2021 LEO<sup>89</sup> this analysis includes a measure of uncertainty around the central scenario using alternative scenarios developed by GLA Economics. The upside scenario sees a faster economic recovery as more confident consumers spend a larger share of the excess savings built up over the pandemic. Our downside scenario sees a slow economic recovery, as fresh lockdown measures prompt another contraction in early 2022, before high inflation drags on real household spending power. The prolonged slowdown also means deeper scarring on medium-term output and job growth.

### 5.1 Results

London's economic output had been growing every year from 2010 to 2019 before a major contraction in 2020. Our baseline central scenario, which is consistent with Bank of England and OBR projections, suggests that a firm recovery in output has been underway in 2021, and we expect output to regain its losses from 2020 by early next year.

However, running against these positive points, the Bank of England downgraded its long-term projections for UK output in the November Monetary Policy Report. Consistent with this approach, we now see a medium-term gap of around 1.5% opening by 2023 between the central scenario for London's output and our pre-pandemic forecasts, compared to a 0.7% gap in August.

On the employment side, our forecast has improved since the Spring LEO. Initial indications of a limited impact from the end of furlough mean that we see total jobs rising modestly this year. However, a slow pace of growth in the medium term mean we continue to expect a full recovery to take until 2023.

We also expect household income and spending to grow every year across the forecast period. However, the sharp acceleration of inflation since the May 2021 forecast means that we now expect a slower path for real incomes among Londoners. Despite this, the much stronger employment outlook, signs of an improvement in consumer confidence since May and a more front-loaded output recovery mean that we expect strong consumer spending growth this year and in 2022.

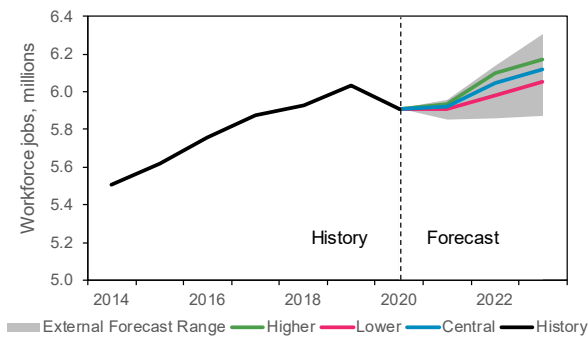
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<sup>88</sup> GLA Economics (2017). '[London labour market projections 2017](#)'.

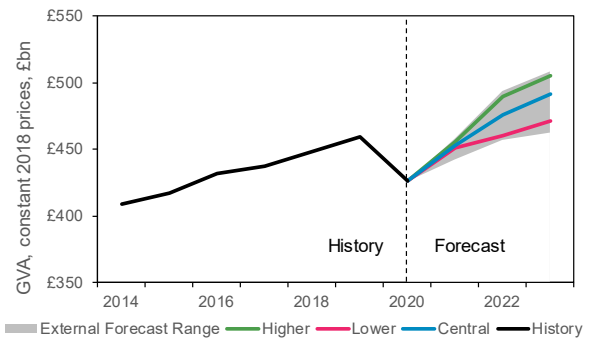
<sup>89</sup> GLA Economist (2021). '[London's Economic Outlook: Spring 2021](#)'

**Figure 5.1: GLA Economics' forecasts and scenarios for employment and output**

**Employment**



**Output**



Source: GLA Economics estimates for historic data and GLA Economics calculations for forecast

**Table 5.1: Central scenario-based forecast and historical growth rates**  
(Annual % change)

|                    | 2015 | 2016 | 2017 | 2018 | 2019 | 2020  | 2021 | 2022 | 2023 |
|--------------------|------|------|------|------|------|-------|------|------|------|
| GVA                | 2.0  | 3.6  | 1.3  | 2.5  | 2.4  | -7.1  | 6.4  | 5.0  | 3.1  |
| Workforce jobs     | 2.0  | 2.5  | 2.1  | 0.9  | 1.8  | -2.1  | 0.2  | 2.1  | 1.2  |
| Household spending | 2.9  | 3.2  | 0.9  | 1.4  | 1.0  | -11.2 | 6.0  | 7.1  | 2.4  |
| Household income   | 7.6  | 2.0  | 0.2  | 3.3  | 2.1  | 1.4   | 1.0  | 0.5  | 2.6  |

**Table 5.2: Scenario-based forecast and historical levels**  
(constant 2018 prices, £ billion except jobs)

|                           | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| GVA                       | 416.8 | 431.8 | 437.4 | 448.4 | 458.9 | 426.2 | 453.3 | 476.1 | 491.1 |
| Workforce jobs (millions) | 5.6   | 5.8   | 5.9   | 5.9   | 6.0   | 5.9   | 5.9   | 6.0   | 6.1   |
| Household spending        | 189.0 | 195.1 | 196.9 | 199.7 | 201.6 | 179.0 | 189.8 | 203.2 | 208.1 |
| Household income          | 243.9 | 248.8 | 249.2 | 257.4 | 262.9 | 266.7 | 269.5 | 270.8 | 277.9 |

## Output

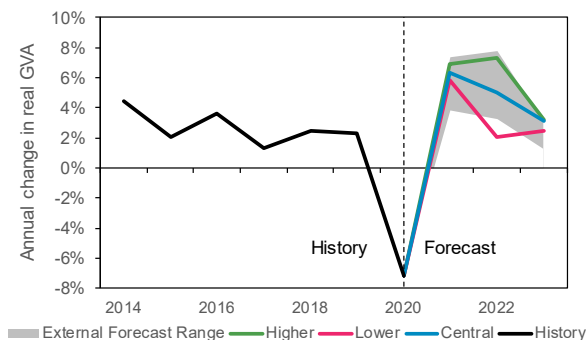
(London GVA, constant prices (base year 2018), £ billion)

GLA Economics forecasts London's real GVA to grow 6.4% this year, followed by growth of 5.0% in 2022 and 3.1% in 2023. Our forecast profile is consistent with a recovery to pre-pandemic levels of activity by early 2022.

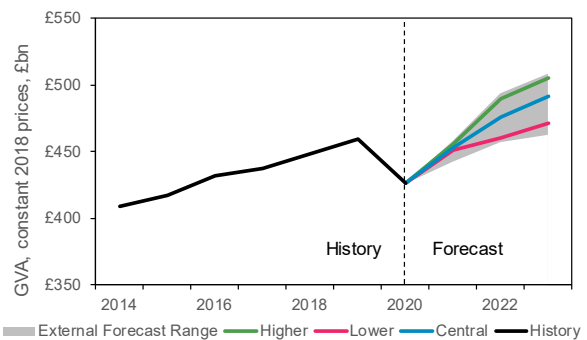
This profile involves a more rapid 2021 recovery than in our Spring LEO forecast, but a weaker profile for 2022 amid renewed virus concerns. Our forecast in May 2021 was for growth of 5.4%, 6.9%, and 3.1% in 2021, 2022 and 2023 respectively. As a result, while the near-term recovery is faster under the new forecast, the level of output by 2023 is around 0.8% smaller, broadly in line with the downgrade to the Bank of England's long-term output projections.

Under all the scenarios, London's economy has largely recovered its 2019 level at some time in 2022. However, the profiles otherwise differ widely. While our upside scenario could see a consumer-led boom pushing growth even higher in 2022 than in 2021, the downside scenario's contraction early in the year pushes 2022 growth to below the slowest pace projected by external forecasters. As a result, the upside scenario's projected level of output by 2023 is around 7.5% above the level projected in the downside scenario.

### Annual growth (%)



### Level (constant 2018 prices, £ billion)



| Growth (annual %)                   |      |      |      |      |
|-------------------------------------|------|------|------|------|
|                                     | 2020 | 2021 | 2022 | 2023 |
| Gradual return to economic recovery | -7.1 | 6.4  | 5.0  | 3.1  |
| Fast economic recovery              |      | 7.0  | 7.4  | 3.3  |
| Slow economic recovery              |      | 5.8  | 2.0  | 2.5  |

| Level (constant 2018 prices, £ billion) |       |       |       |       |
|---|-------|-------|-------|-------|
|   | 2020  | 2021  | 2022  | 2023  |
| Gradual return to economic recovery     | 426.2 | 453.3 | 476.1 | 491.1 |
| Fast economic recovery                  |       | 455.8 | 489.4 | 505.3 |
| Slow economic recovery                  |       | 451.0 | 460.2 | 471.5 |

### History: Annual growth (%)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------|------|------|------|------|------|------|------|------|------|------|
| 2.8  | 3.6  | 4.1  | 3.4  | 4.4  | 2.0  | 3.6  | 1.3  | 2.5  | 2.4  | -7.1 |

### History: Level (constant 2018 prices, £ billion)

| 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 350.9 | 363.5 | 378.2 | 391.2 | 408.4 | 416.8 | 431.8 | 437.4 | 448.4 | 458.9 | 426.2 |

## Employment

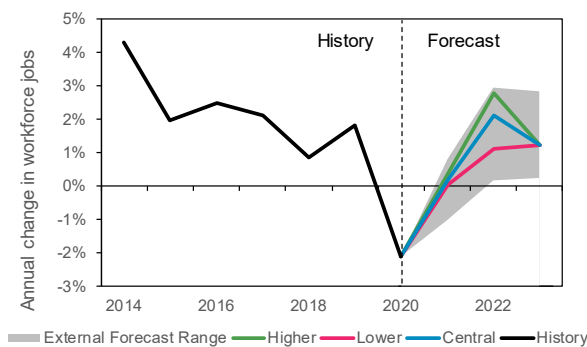
(London workforce jobs)

GLA Economics projects London's workforce jobs to tick up 0.2% in 2021, before growing 2.1% in 2022 and 1.2% in 2023. As a result, we expect London's workforce jobs to take until early 2023 to recover fully.

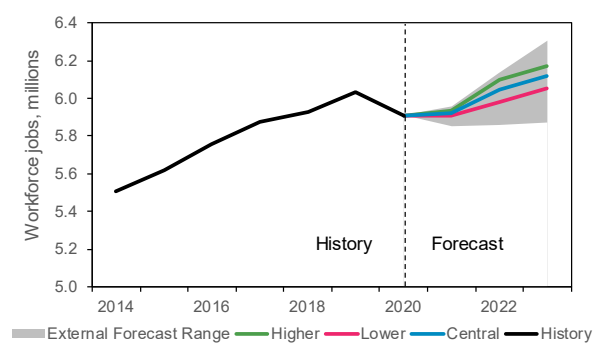
In the short term this outlook is a significant improvement on our forecast from the Spring LEO, which anticipated a 3.6% decline in employment this year. However, in the medium term we now expect slower growth than the 2.9% in 2022 and 4.2% in 2023 set out in May. While the employment recovery may now be completed earlier in 2023 than previously anticipated, the forecast anticipates a similar number of jobs in the medium term.

The range across our employment scenarios is similar to the Spring LEO scenarios. The fast recovery scenario sees around 2% more jobs by 2023 than the slow recovery scenario, from 1.9% in May. However, the May forecast involved a range of almost 3% in 2022, whereas this edition of the forecast implies a difference of around 2%. This is consistent with the fact that employment has proven resilient to recent disruptions in activity, so we think the key risk is for a limited 2022 rebound, rather than a sharp near-term drop.

### Annual growth (%)



### Level (millions of workforce jobs)



| Growth (annual %)                   |      |      |      |      |
|-------------------------------------|------|------|------|------|
|                                     | 2020 | 2021 | 2022 | 2023 |
| Gradual return to economic recovery | -2.1 | 0.2  | 2.1  | 1.2  |
| Fast economic recovery              |      | 0.4  | 2.8  | 1.2  |
| Slow economic recovery              |      | 0.0  | 1.1  | 1.2  |

| Level (millions of workforce jobs)  |      |      |      |      |
|-------------------------------------|------|------|------|------|
|                                     | 2020 | 2021 | 2022 | 2023 |
| Gradual return to economic recovery | 5.9  | 5.9  | 6.0  | 6.1  |
| Fast economic recovery              |      | 5.9  | 6.1  | 6.2  |
| Slow economic recovery              |      | 5.9  | 6.0  | 6.1  |

### History: Annual growth (%)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------|------|------|------|------|------|------|------|------|------|------|
| -0.4 | 1.7  | 4.2  | 2.9  | 4.3  | 2.0  | 2.5  | 2.1  | 0.9  | 1.8  | -2.1 |

### History: Level (millions of persons)

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------|------|------|------|------|------|------|------|------|------|------|
| 4.8  | 4.9  | 5.1  | 5.3  | 5.5  | 5.6  | 5.8  | 5.9  | 5.9  | 6.0  | 5.9  |



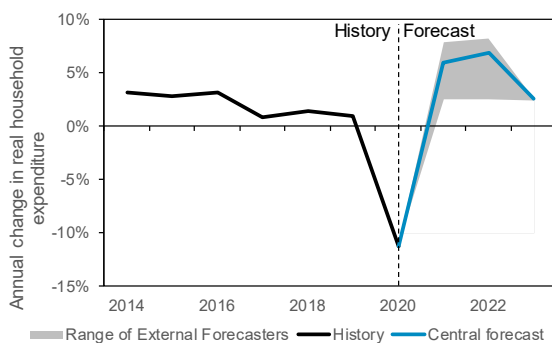
## Household expenditure

(London household spending, constant prices (base year 2018), £ billion)

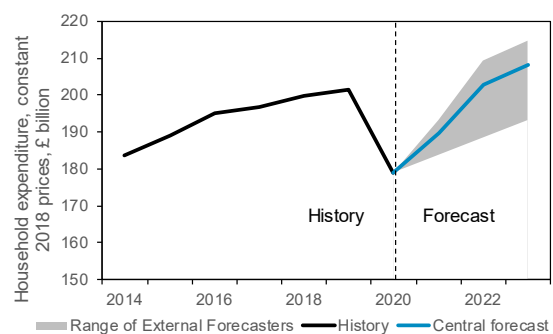
The forecast anticipates consumer spending growth of 6.0% in 2021, following the 11.2% drop in 2020. We then expect expenditure growth to accelerate to 6.9% in 2022, before easing back towards longer-term averages with growth of 2.6% in 2023. This implies household spending is set to recover in 2022.

This positions the central forecast towards the upper end of the range of external forecasters. However, the forecast is largely in line with an average that adjusts for inflation forecast revisions and excludes the oldest projections, which were put together before the latest rounds of national and regional data. It is also an upgrade on the forecast from the Spring LEO, which anticipated growth of 2.5% in 2021, followed by 4.1% in 2022 and 2.2% in 2023. As a result, we see spending recovering a year earlier.

### Annual growth (%)



### Level (constant year 2018, £ billion)



### History: Annual growth (%)

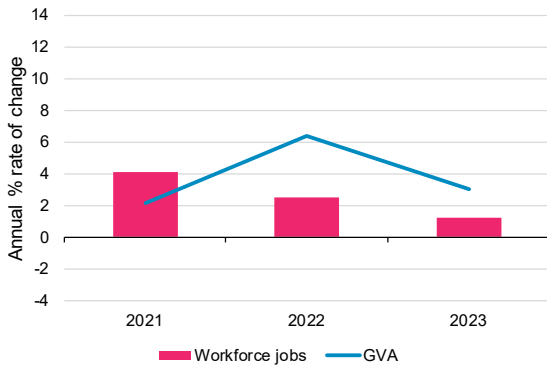
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020  |
|------|------|------|------|------|------|------|------|------|------|-------|
| 2.4  | 0.0  | 2.1  | 2.8  | 3.2  | 2.9  | 3.2  | 0.9  | 1.4  | 1.0  | -11.2 |

### History: Level (constant year 2018, £ billion)

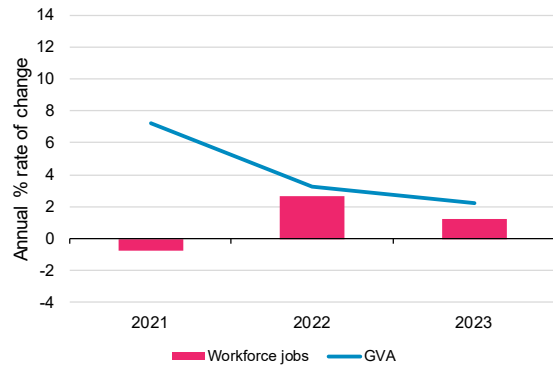
| 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 169.6 | 169.6 | 173.2 | 178.0 | 183.7 | 189.0 | 195.1 | 196.9 | 199.7 | 201.6 | 179.0 |

**Output and employment growth by sector (% annual change)**

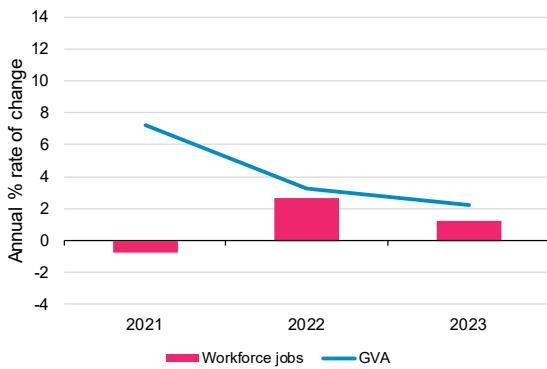
**Financial services**



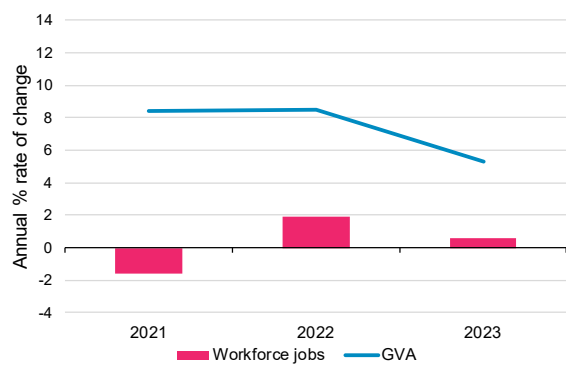
**Business services**



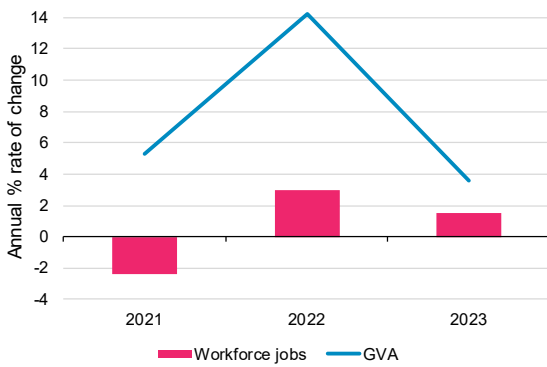
**Finance and business (combined)**



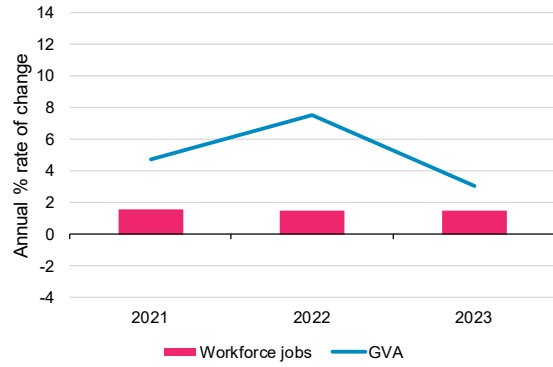
**Distribution, accommodation and food services activities**



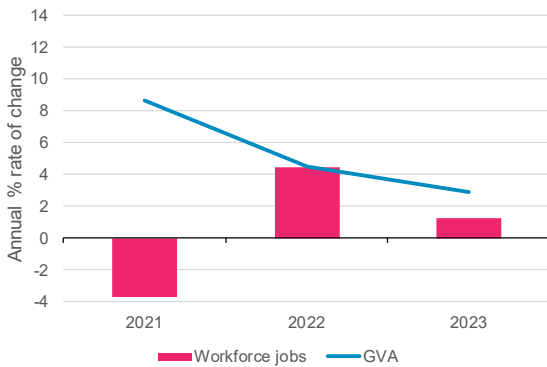
**Transportation and storage**



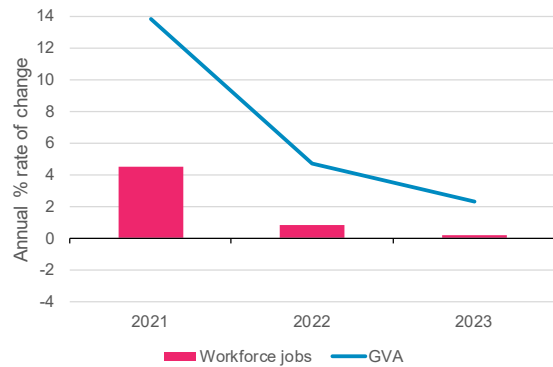
**Other (public & private) services**



**Manufacturing**



**Construction**



## Output and employment growth by sector (% annual change)

| Main sector  | 2021 | 2022 | 2023 |
|--|------|------|------|
| <b>Financial services</b>                                      |      |      |      |
| Output   | 2.2  | 6.4  | 3.0  |
| Jobs   | 4.1  | 2.5  | 1.2  |
| <b>Business services</b>                                       |      |      |      |
| Output   | 7.2  | 3.3  | 2.2  |
| Jobs   | -0.8 | 2.7  | 1.2  |
| <b>Financial and business services combined</b>                |      |      |      |
| Output   | 6.0  | 4.0  | 2.4  |
| Jobs   | 0.0  | 2.7  | 1.2  |
| <b>Distribution, accommodation and food service activities</b> |      |      |      |
| Output   | 8.4  | 8.5  | 5.3  |
| Jobs   | -1.6 | 1.9  | 0.6  |
| <b>Transportation and storage</b>                              |      |      |      |
| Output   | 5.3  | 14.2 | 3.6  |
| Jobs   | -2.4 | 3.0  | 1.5  |
| <b>Other (public &amp; private) services</b>                   |      |      |      |
| Output   | 4.7  | 7.5  | 3.0  |
| Jobs   | 1.6  | 1.5  | 1.5  |
| <b>Manufacturing</b>   |      |      |      |
| Output   | 8.7  | 4.5  | 2.9  |
| Jobs   | -3.7 | 4.5  | 1.3  |
| <b>Construction</b>  |      |      |      |
| Output   | 13.8 | 4.7  | 2.3  |
| Jobs   | 4.5  | 0.8  | 0.2  |
| <b>(Memo: non-manufacturing)</b>                               |      |      |      |
| Output   | 6.3  | 5.4  | 2.9  |
| Jobs   | 0.3  | 2.1  | 1.2  |

## 5.2 Comparison with previous forecasts

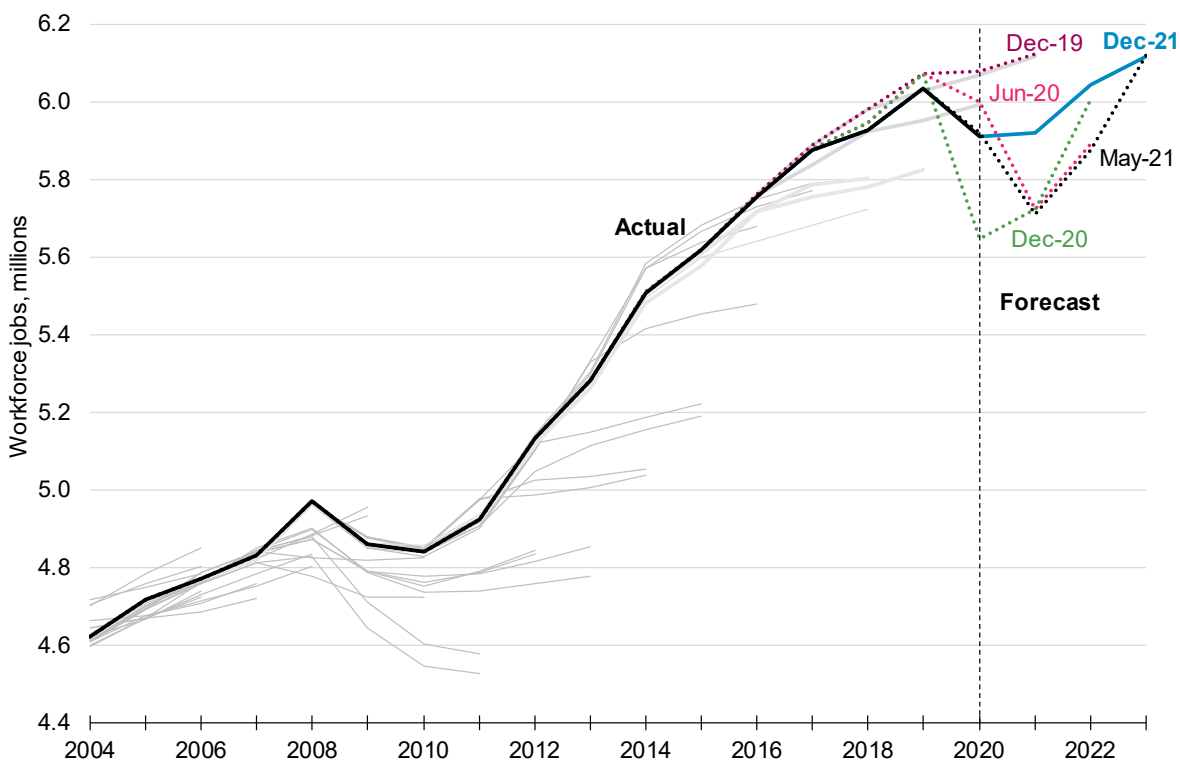
This section compares the current forecast with previous forecasts in this series. Since the base years for the forecasts change and the base data is continuously revised, the forecasts have been rebased into a common base year for the comparisons in Figures 5.2 and 5.3.

It should also be noted that the large variation seen in the forecasts produced in 2020 and 2021 compared to previous forecasts reflect the challenges of undertaking economic forecasts in an environment of unprecedented uncertainty and reflects in part the evolving knowledge of public health and economic policy responses.

### Workforce jobs

The level of London's workforce jobs is only expected to reach its 2019 level in 2023. The medium-term profile of the forecast is similar to the May 2021 forecast, but a significant improvement on the trajectory of the two forecasts constructed in 2020. This reflects the successive extensions of the furlough scheme and the evidence in recent months of limited job disruption from the end of the scheme.

**Figure 5.2: Employment – latest forecast compared with previous forecasts**  
(thousands of workforce jobs)



Source: ONS, GLA Economics; Note: grey lines show job levels under historic GLA Economics forecasts of employment growth. The last five GLA Economics forecasts are also shown (and labelled) in colour.

**Table 5.3: Comparisons with previous published forecasts<sup>90</sup>**  
(London workforce jobs, % annual growth)

| Forecast | 2009  | 2010  | 2011  | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020  | 2021  | 2022 | 2023 |
|----------|-------|-------|-------|------|------|------|------|------|------|------|------|-------|-------|------|------|
| Dec-21   | -2.3% | -0.4% | 1.7%  | 4.2% | 2.9% | 4.3% | 2.0% | 2.5% | 2.1% | 0.9% | 1.8% | -2.1% | 0.2%  | 2.1% | 1.2% |
| May-21   |       |       |       |      |      |      |      |      |      |      |      |       | -3.6% | 2.9% | 4.2% |
| Dec-20   |       |       |       |      |      |      |      |      |      |      |      | -1.1% | -4.6% | 3.0% |      |
| Jun-20   |       |       |       |      |      |      |      |      |      |      |      | -7.0% | 1.4%  | 4.9% |      |
| Dec-19   |       |       |       |      |      |      |      |      |      |      | 1.5% | 0.1%  | 0.7%  |      |      |
| Jun-19   |       |       |       |      |      |      |      |      |      |      | 0.8% | 0.7%  | 0.8%  |      |      |
| Nov-18   |       |       |       |      |      |      |      |      |      | 1.5% | 0.5% | 0.7%  |       |      |      |
| May-18   |       |       |       |      |      |      |      |      |      | 0.6% | 0.3% | 0.7%  |       |      |      |
| Nov-17   |       |       |       |      |      |      |      |      | 1.4% | 0.3% | 0.5% |       |       |      |      |
| Jun-17   |       |       |       |      |      |      |      |      | 0.7% | 0.5% | 0.7% |       |       |      |      |
| Nov-16   |       |       |       |      |      |      |      | 2.5% | 1.2% | 0.3% |      |       |       |      |      |
| May-16   |       |       |       |      |      |      |      | 0.7% | 0.7% | 0.7% |      |       |       |      |      |
| Nov-15   |       |       |       |      |      |      | 1.7% | 1.2% | 0.7% |      |      |       |       |      |      |
| May-15   |       |       |       |      |      |      | 1.7% | 1.2% | 0.7% |      |      |       |       |      |      |
| Nov-14   |       |       |       |      |      | 4.5% | 1.2% | 0.7% |      |      |      |       |       |      |      |
| May-14   |       |       |       |      |      | 1.6% | 0.7% | 0.5% |      |      |      |       |       |      |      |
| Nov-13   |       |       |       |      | 1.3% | 0.8% | 0.7% |      |      |      |      |       |       |      |      |
| Jul-13   |       |       |       |      | 0.6% | 0.7% | 0.7% |      |      |      |      |       |       |      |      |
| Nov-12   |       |       |       | 1.0% | 0.2% | 0.4% |      |      |      |      |      |       |       |      |      |
| Jun-12   |       |       |       | 0.2% | 0.4% | 0.6% |      |      |      |      |      |       |       |      |      |
| Nov-11   |       |       | 0.1%  | 0.4% | 0.4% |      |      |      |      |      |      |       |       |      |      |
| May-11   |       |       | 0.1%  | 0.7% | 0.8% |      |      |      |      |      |      |       |       |      |      |
| Oct-10   |       | -0.6% | 0.6%  | 1.0% |      |      |      |      |      |      |      |       |       |      |      |
| Jun-10   |       | -0.8% | 0.8%  | 1.1% |      |      |      |      |      |      |      |       |       |      |      |
| Oct-09   | -3.4% | -2.3% | -0.6% |      |      |      |      |      |      |      |      |       |       |      |      |
| Apr-09   | -3.8% | -2.2% | -0.4% |      |      |      |      |      |      |      |      |       |       |      |      |
| Oct-08   | -1.1% | 0.0%  |       |      |      |      |      |      |      |      |      |       |       |      |      |
| May-08   | -0.1% | 0.1%  |       |      |      |      |      |      |      |      |      |       |       |      |      |
| Oct-07   | 1.0%  |       |       |      |      |      |      |      |      |      |      |       |       |      |      |
| Apr-07   | 1.5%  |       |       |      |      |      |      |      |      |      |      |       |       |      |      |

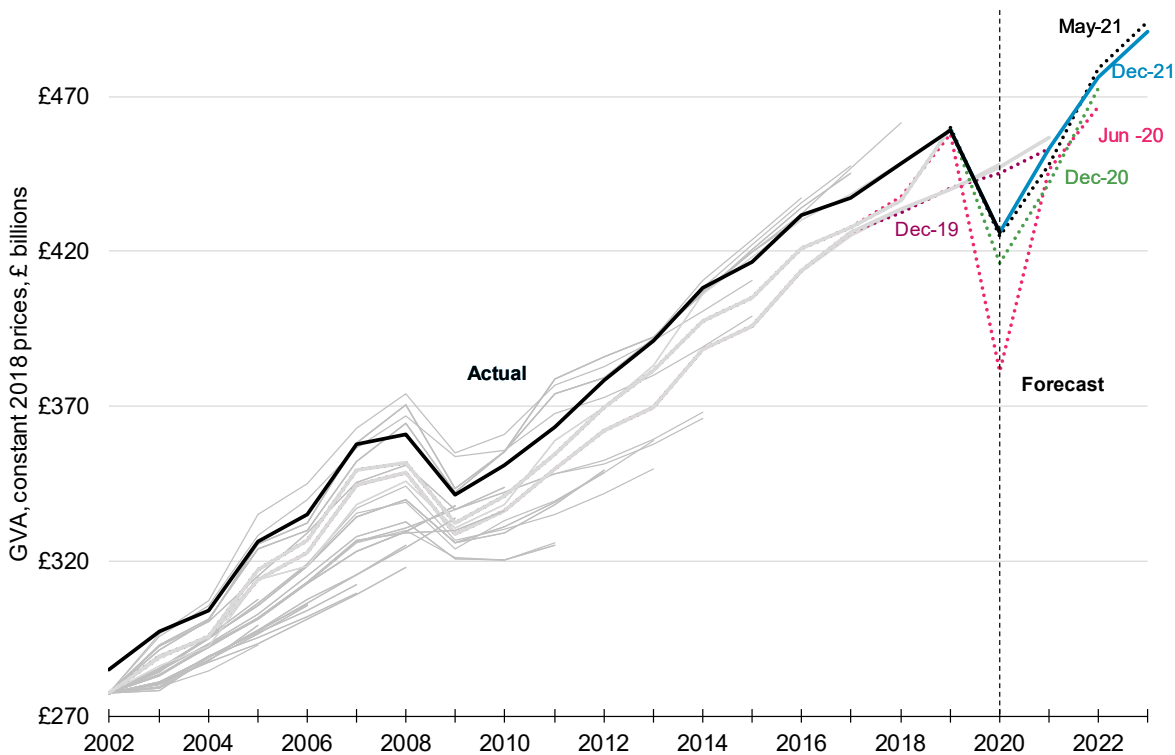
Source: ONS, GLA Economics

<sup>90</sup> This table only reports forecasts for 2009 onwards unlike Figure 5.2. For earlier GLA Economics' forecasts please see previous editions of London's Economic Outlook.

## Output

The most recent medium-term scenario-based forecast for London's GVA level has output somewhat lower than the May 2021 scenario-based forecast, but above the June and December 2020 forecasts. The historic level of London's GVA has also been revised upward before 2019, leaving growth in 2019 more moderate than reported in previous LEO editions. A slightly stronger profile in 2021 reflects the limited effect on London's GVA from the third national lockdown in late 2020 and early 2021, while the lower medium-term forecast is consistent with revisions to national-level forecasts.

**Figure 5.3: Output – latest forecast compared with previous forecasts**  
(constant prices (base year 2018), £ billion)



Source: ONS, ESCoE, GLA Economics; Note: the grey lines show levels of GVA given historic GLA Economics forecasts of GVA growth. The last five GLA Economics forecasts are also shown (and labelled) in colour.

**Table 5.4: Comparisons with previous published forecasts<sup>91</sup>**  
(London GVA, % annual growth)

| Forecast | 2009  | 2010  | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020   | 2021  | 2022 | 2023 |
|----------|-------|-------|------|------|------|------|------|------|------|------|------|--------|-------|------|------|
| Dec-21   | -5.4% | 2.8%  | 3.6% | 4.1% | 3.4% | 4.4% | 2.0% | 3.6% | 1.3% | 2.5% | 2.4% | -7.1%  | 6.4%  | 5.0% | 3.1% |
| May-21   |       |       |      |      |      |      |      |      |      |      |      |        | 5.4%  | 6.9% | 3.1% |
| Dec-20   |       |       |      |      |      |      |      |      |      |      |      | -9.5%  | 6.2%  | 6.9% |      |
| Jun-20   |       |       |      |      |      |      |      |      |      |      |      | -16.8% | 17.2% | 4.5% |      |
| Dec-19   |       |       |      |      |      |      |      |      |      |      | 1.8% | 1.1%   | 1.8%  |      |      |
| Jun-19   |       |       |      |      |      |      |      |      |      |      | 1.5% | 1.6%   | 2.2%  |      |      |
| Nov-18   |       |       |      |      |      |      |      |      |      | 1.9% | 1.6% | 1.9%   |       |      |      |
| May-18   |       |       |      |      |      |      |      |      |      | 1.6% | 1.9% | 2.2%   |       |      |      |
| Nov-17   |       |       |      |      |      |      |      |      | 2.1% | 1.8% | 2.6% |        |       |      |      |
| Jun-17   |       |       |      |      |      |      |      |      | 2.3% | 2.4% | 2.9% |        |       |      |      |
| Nov-16   |       |       |      |      |      |      |      | 2.8% | 2.0% | 2.3% |      |        |       |      |      |
| May-16   |       |       |      |      |      |      |      | 2.9% | 3.4% | 3.3% |      |        |       |      |      |
| Nov-15   |       |       |      |      |      |      | 3.4% | 3.2% | 2.7% |      |      |        |       |      |      |
| May-15   |       |       |      |      |      |      | 3.6% | 3.2% | 2.5% |      |      |        |       |      |      |
| Nov-14   |       |       |      |      |      | 4.8% | 3.3% | 3.1% |      |      |      |        |       |      |      |
| May-14   |       |       |      |      |      | 3.8% | 3.2% | 2.6% |      |      |      |        |       |      |      |
| Nov-13   |       |       |      |      | 2.2% | 2.5% | 2.5% |      |      |      |      |        |       |      |      |
| Jul-13   |       |       |      |      | 1.9% | 2.4% | 2.5% |      |      |      |      |        |       |      |      |
| Nov-12   |       |       |      | 0.9% | 1.8% | 2.4% |      |      |      |      |      |        |       |      |      |
| Jun-12   |       |       |      | 1.2% | 1.9% | 2.5% |      |      |      |      |      |        |       |      |      |
| Nov-11   |       |       | 1.4% | 2.0% | 2.4% |      |      |      |      |      |      |        |       |      |      |
| May-11   |       |       | 2.0% | 2.6% | 2.9% |      |      |      |      |      |      |        |       |      |      |
| Oct-10   |       | 1.6%  | 2.4% | 2.9% |      |      |      |      |      |      |      |        |       |      |      |
| Jun-10   |       | 1.0%  | 2.8% | 3.3% |      |      |      |      |      |      |      |        |       |      |      |
| Oct-09   | -3.5% | -0.2% | 1.5% |      |      |      |      |      |      |      |      |        |       |      |      |
| Apr-09   | -2.7% | -0.2% | 1.7% |      |      |      |      |      |      |      |      |        |       |      |      |
| Oct-08   | 0.2%  | 1.9%  |      |      |      |      |      |      |      |      |      |        |       |      |      |
| May-08   | 1.8%  | 2.2%  |      |      |      |      |      |      |      |      |      |        |       |      |      |
| Oct-07   | 2.6%  |       |      |      |      |      |      |      |      |      |      |        |       |      |      |
| Apr-07   | 3.0%  |       |      |      |      |      |      |      |      |      |      |        |       |      |      |

Source: ONS, ESCoE, GLA Economics

<sup>91</sup> This table only reports forecasts for 2009 onwards, unlike Figure 5.3.



## Appendix A: Explanation of terms and some sources

### Definitions, differences, and revisions

Forecasting organisations use varying definitions of the regional indicators they supply. It is therefore not always possible to assign a completely consistent meaning to the terms used.

Throughout this report 'employment' refers to 'workforce jobs' and uses the ONS historical series as a base for the forecast.

Forecasters' definitions are broadly compatible with this but in some cases differences arise from the treatment of small items such as participants in government training schemes or the armed forces. The GLA uses civilian workforce employment throughout.

Output refers to GVA, a term introduced by the 1995 revision of the European System of Accounts (ESA95). GLA Economics' [London's Economic Outlook: December 2003](#) provides a more detailed explanation of this term.

At the time of writing national statistics estimates of real regional GVA are available up to 2018 from the ONS<sup>92</sup>. The historic real London GVA figures used in this GLA Economics' forecast are estimates produced by GLA Economics using ONS data.

Consumption refers to private consumption, otherwise known as household expenditure; in some cases, the expenditure of non-profit organisations is included and in other cases it is not.

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<sup>92</sup> ONS Regional GVA (balanced approach).

## Appendix B: Glossary of acronyms

|                    |  |
|--------------------|--|
| <b>ADB</b>         | Asian Development Bank                                 |
| <b>BIS</b>         | The Bank for International Settlements                 |
| <b>BoE</b>         | Bank of England  |
| <b>bn</b>          | Billion  |
| <b>CE</b>          | Cambridge Econometrics                                 |
| <b>CEBR</b>        | The Centre for Economic and Business Research          |
| <b>CPI</b>         | Consumer Price Index                                   |
| <b>DCLG</b>        | Department for Communities and Local Government        |
| <b>ECB</b>         | European Central Bank                                  |
| <b>EE</b>          | Experian Economics                                     |
| <b>EERI</b>        | Effective Exchange Rate Index                          |
| <b>EU</b>          | European Union   |
| <b>Fed</b>         | Federal Reserve  |
| <b>FT</b>          | Financial Times  |
| <b>GDP</b>         | Gross Domestic Product                                 |
| <b>GLA</b>         | Greater London Authority                               |
| <b>GVA</b>         | Gross Value Added                                      |
| <b>HM Treasury</b> | Her Majesty's Treasury                                 |
| <b>IFS</b>         | Institute for Fiscal Studies                           |
| <b>ILO</b>         | International Labour Organisation                      |
| <b>IMF</b>         | International Monetary Fund                            |
| <b>LEO</b>         | London's Economic Outlook                              |
| <b>LFS</b>         | Labour Force Survey                                    |
| <b>LHS</b>         | Left Hand Scale  |
| <b>m</b>           | Million  |
| <b>MPC</b>         | Monetary Policy Committee                              |
| <b>OBR</b>         | Office for Budget Responsibility                       |
| <b>OE</b>          | Oxford Economics                                       |
| <b>OECD</b>        | Organisation for Economic Co-operation and Development |
| <b>ONS</b>         | Office for National Statistics                         |
| <b>PMI</b>         | Purchasing Managers' Index                             |
| <b>Q2</b>          | Second Quarter   |
| <b>QE</b>          | Quantitative Easing                                    |
| <b>RHS</b>         | Right Hand Scale                                       |
| <b>RICS</b>        | Royal Institution of Chartered Surveyors               |
| <b>RPI</b>         | Retail Price Index                                     |
| <b>TfL</b>         | Transport for London                                   |

## Appendix C: Bibliography

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**MAYOR OF LONDON**

# Deliverability Assessment

## General Information

**Site address:** Benedict Wharf  
Hallowfield Way, Mitcham, CR4 3BT

**Site area:** 3.8ha (main Suez owned site); The rectangular Cappagh site (0.6ha) is not part of the allocation

**Current use:**

- Waste facility (Suez) (majority of site);
- car pound for Wandsworth and Lambeth councils (rectangular northern portion of site)

## Location Map



**Proposed use:** Residential with some non-residential uses that are commensurate with a residential setting (for example small workshops, community uses etc.) and deliverable.

Reallocation is dependent on there being no loss of waste management capacity within the South London Waste Plan area. The council will only support reallocation where the waste management capacity and function is moved within the South London Waste Plan area.

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## Site details

### Land Ownership/ Occupation (freehold and/or leasehold - length of time) and site address

**Ownership (freeholder):** Suez Ltd for majority of site; Cappagh for rectangle to north west. To the north of the site adjacent the public highway is a strip of land owned by LB Merton.

**Site description:** The majority of the site is used for waste management purposes by the owner occupier Suez. A small part of the site (rectangle in the north eastern corner) is owned by Cappagh and is used as the car pound for Wandsworth and Lambeth traffic enforcement.

The only vehicular site entrances are from the north off Church Road. There is a single operational site entrance is from the north down a short wide single access road, Hallowfield Way, off Church Road. Vehicles entering the site must pass Benedict Primary school, St Peter and St Paul's church and graveyard and residential properties, all of which are found at the junction of Hallowfield Way and Church Road.

There is also a secondary road access down Church Path, a very narrow residential street lined with historic two-storey cottages, but this is currently closed off by Suez while the site is in waste management use.

To the north of the site, beyond Cappagh's car pound boundary, lies White Bridge Avenue, a residential road. Morden Hall Park, a historic park owned by the National Trust, lies circa 200m to the north east of the site boundary.

To the west of the site boundary lies Barons Walk, a fenced off path and beyond it lies London Road playing fields.

The existing tramline bounds the south and east of the site; at the other side of the tramline are large industrial sheds. Belgrave Walk tram stop is less than 5 minutes' walk (300m) of the site's north east corner with tram services between Wimbledon and Croydon.



*Strategic Planning Factors:* The immediate surroundings of the site contain many sensitive land uses in terms of their heritage, environment and social activities that are protected under planning policy:

**Heritage assets:**

- Mitcham Cricket Green Conservation Area abuts the north east of the site and is clearly visible from the site. It includes properties along Church Road, Church Path and surrounding the London Road playing fields
- Grade II\* historic listed building of St Peter and St Paul's Parish Church at the site entrance, the junction of Church Road and Hallowfield Way.
- Locally listed cottages along the two storey historic Church Path abutting the site to the north.
- Morden Hall Park nearby is a Grade II listed Historic Park
- Grade II listed Vicarage House, within 100m of site to north off Church Road.

**Environmental protection:**

- London Road Playing Fields, a large area of open space runs along the entire eastern side of the site, is designated as Open Space, a Site of Importance for Nature Conservation and as a green corridor for wildlife protection.
- Nearby Morden Hall Park is also designated as Metropolitan Open Land, a Site for Importance for Nature Conservation, as green corridor.
- The site is within the Wandle Valley Regional Park

**Sensitive development**

- Benedict Primary School lies at the only site entrance at the junction of Hallowfield Way and Church Road.
- Melrose School (for secondary school aged children with social, emotional and behavioural difficulties) and Cricket Green School (a special educational needs school for 4-19 year olds) are both within 300m of the site, adjacent the London Road playing fields. In summer 2020 a planning application will be submitted for its expansion.
- Residential streets within 50 / 100m of the site include Church Path, White Bridge Avenue, Belgrave Walk and the nearby Cherry Trees estate.

The **Wimbledon - Croydon tram tracks** lie adjacent to the eastern boundary of the site. Electricity cables, supported by two pylons just beyond the site boundaries, run parallel with the tramlines. There are exclusion zones for development within a certain number of metres of these.

The **site is allocated as an existing permitted waste management site** in Schedule 1 of the 2012 South London Waste Plan and is proposed to be removed from allocation in the 2020 South London Waste Plan on the basis waste capacity is safeguarded elsewhere in the South London Waste Plan area. Suez is the freeholder of an alternative existing waste management site also allocated in Schedule 1 of the South London Waste Plan (in Sutton, within the South London Waste Plan area) which can provide the waste management capacity via planning permission granted in 2019 by Sutton Council.

The **site is part of Merton's Strategic Industrial Location (SIL)** due to the history of industrial type land uses on it in common with many sites in the Wandle Valley. Since the late 1800s the site has variously been used for gravel extraction, as a coal depot and as waste management continuously since the 1970s. However the location of this site is considered a planning anomaly which would not be allocated in a modern planning system.







## Site deliverability: issues

### Site deliverability: Any issues identified.

The particular facets of this site make it undeliverable for 24 hour strategic industry, waste management or logistic uses or intensification of the same.

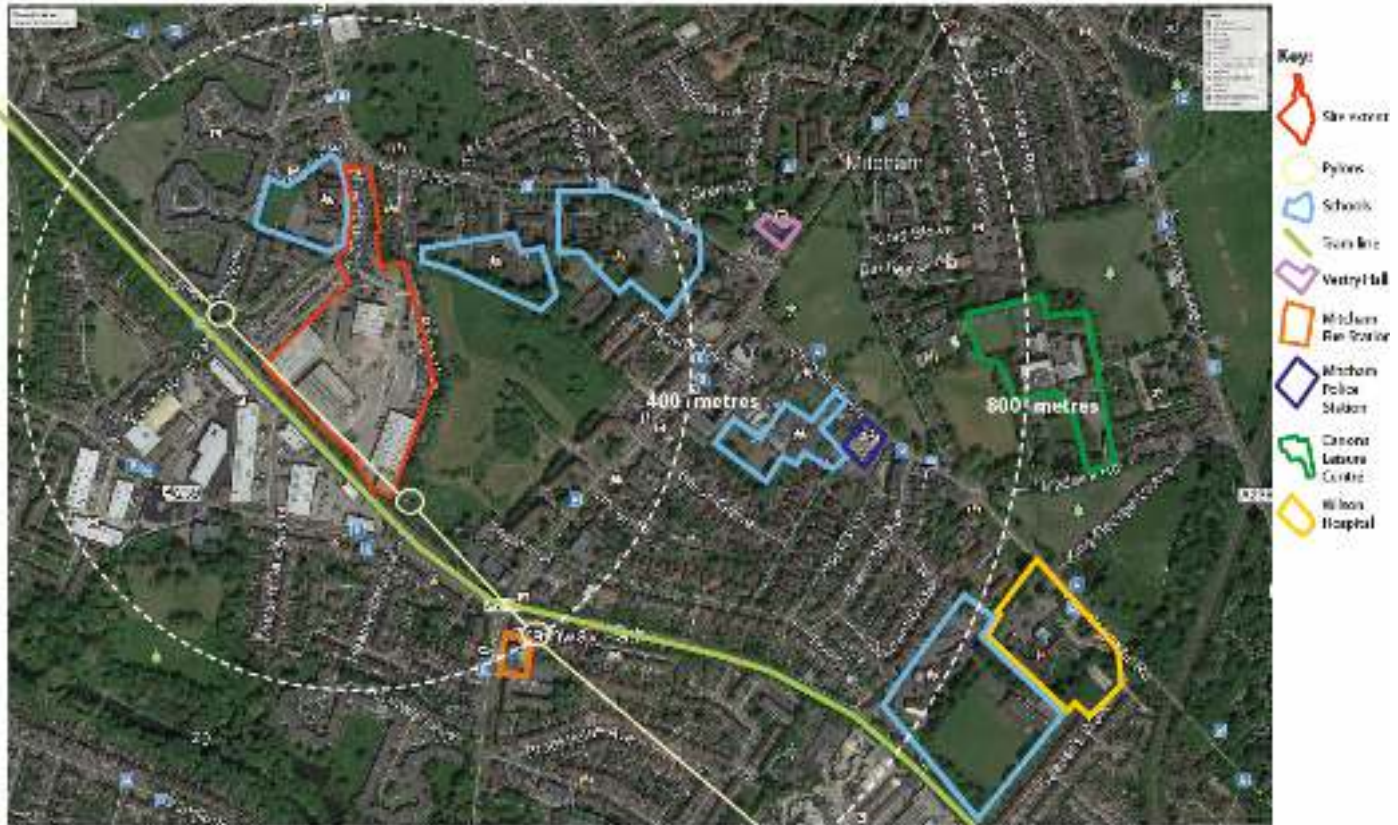
The current freeholder Suez has owned and operated the site for 18 years and was granted planning permission by the Mayor of London for intensified waste facilities in 2012 (also intensified industrial type activities). However this permission has not been realised due to the constraints attached to the planning permission designed to protect the surrounding sensitive uses (e.g. planning conditions restricting hours of operation, number of vehicle movements etc.), making the site unviable for modern waste management uses. These conditions include:

- Operation of the site is restricted to between 07:00 and 23:00; it cannot operate 24 hours like other modern facilities;
- Vehicle movements associated with the development are only permitted between 07:00 and 17:00 Monday – Friday, 07:00 and 12:00 on Saturday and no vehicle movements on Sundays or bank holidays.
- SUEZ have to minimise the overall number of bulk haulage vehicle movements to be undertaken during peak school run periods - 08:30 – 09:15 and 14:45 – 15:45 – in consideration of the adjacent Primary School and the two Special Needs Schools, all within 500m of the waste site boundary
- SUEZ collection vehicles and bulk haulage vehicles contracted to SUEZ to generally seek to avoid the eastern section of Church Road where practical during all other time periods.
- Compulsory arrival and departure of third party articulated vehicles from the western side of Church Road (right turn in, left turn out).

A modern (2020) planning system would not grant planning permission for industrial type activities, waste management or logistics on this site due to the conflict with planning policies to:

- Improve air quality, reduce noise, dust vibrations and other pollutants. The site is adjacent to two primary schools and homes, adjacent to playing fields, adjacent to active tramline, in close proximity to Grade 2 Listed Historic Park and Garden (Morden Hall Park), adjacent to conservation area, local nature reserves: restricting vehicle movements and industrial processes on site
- Restrictions on 24 hour activities – same as above
- Safety and security of the site / resilience to emergency: the site has a single vehicle access from the north
- There is no alternative for changing the access to this site to avoid the vehicular access running past homes and schools: The southern and eastern site boundary is the Wimbledon-Croydon tramline and is bounded above by electricity lines, the pylons supporting them sit just outside the site boundary. Building a vehicular bridge suitable for industrial-type traffic across the tramlines is not possible without moving the pylons and electricity lines. Building an underpass under the tramlines is not possible as the entrance for the underpass would have to start beyond the Benedicts Wharf site boundary to meet the gradient suitable for HGVs and would have to emerge in another industrial landholding, requiring the demolition of existing businesses to support the underpass.
- The southern and western site boundary is from London Road playing fields. This is largely a landlocked site with vehicle access along a private residential road / forecourt off London Road. To access Benedict's Wharf a road would have to be built across London Road playing fields and bisect the footpath at Barons Walk.
- To the north, White Bridge Avenue is a narrow wholly residential cul-de-sac. Access from here would require purchase of other land (either part of the playground of Benedict Primary School or part of the Cappagh site) and would be restricted to vehicles no larger than cars or small vans due to the residential nature of the area and adjoining roads.

Benedict Wharf - site and wider surrounding context



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Expansion of existing businesses on Morden Road side of site to Benedict's Wharf side:

- access connections would be impeded due to barriers of existing Wimbledon-Croydon tramlines, overhead power cables and pylons. Vehicle access from Morden Road side (CR4 4DA) to Benedict's Wharf side would require driving 1.8km (1.1miles) along Morden Hall Road / London Road / Church Road / Hallowfield Way past three schools and other services as set out above.

Whole site mix of office, light industrial, research, development.

- Although (pre Covid19) there is evidence of demand and development activity for well-placed new office development (see Wimbledon town centre); the location of this site and this part of Mitcham (along residential roads, invisible from the public realm, low PTAL etc) is not and has never been attractive to the office , R&D or light industrial development.
- No road frontage or visibility from Church Road.
- Increase in vehicle access, particularly HGVs, not supported in this location.
- Expansion of floorspace (e.g. double decking, basements etc) not reasonably feasible. The site is c200m by c230m with some overhead power lines constraints to west. Views from Cricket Green Conservation Area (across London Road Playing Fields) will strongly influence building design and heights

The site is adjacent to existing primary schools and in close proximity (less than 500m) to existing special needs schools.

A new secondary school (Harris Wimbledon) is under construction at South Wimbledon. There is no demand for healthcare in this location due the proximity of several GP practices and the NHS proposals for Wilson Local Care Centre (>1km).

Other social infrastructure: less than 1km from the site lies

- Mitcham Fire Station,
- Vestry Hall (council owned community centre),



- Mitcham Police Station (being retained - see Met Police Estate Strategy)
- Canons Leisure Centre (including swimming pool)
- Canons House and Gardens– Heritage Lottery Fund

Benedict Wharf - site and surrounding context



Benedict Wharf - site and wider surrounding context



# Appendix 6: profiles of Merton's strategic industrial locations and locally significant industrial sites

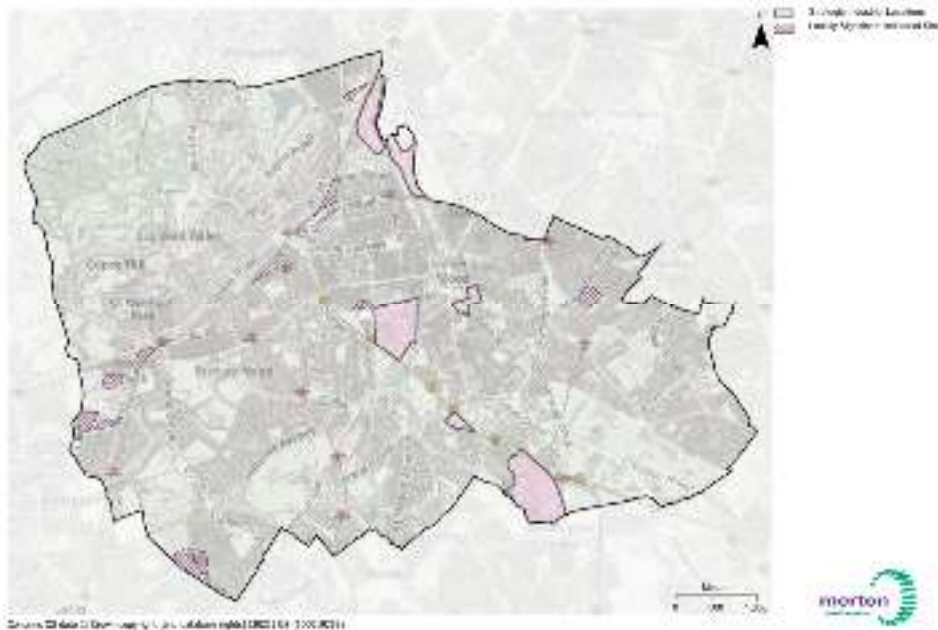
Annex 1 of the London Plan 2021 defines the growth potential for the town centre network across London. This classification provides a hierarchy, recognising the different size and draw of town centres.

Policy E5 Strategic Industrial Locations states *Strategic Industrial Locations (identified in Figure 6.1 and Table 6.2) should be managed proactively through a plan-led process to sustain them as London's largest concentrations of industrial, logistics and related capacity for uses that support the functioning of London's economy.*

*C Development proposals in SILs should be supported where the uses proposed fall within the industrial-type activities set out in Part A of Policy E4 Land for industry, logistics and services to support London's economic function.*

*D Development proposals within or adjacent to SILs should not compromise the integrity or effectiveness of these locations in accommodating industrial-type activities and their ability to operate on a 24-hour basis. Residential development adjacent to SILs should be designed to ensure that existing or potential industrial activities in SIL are not compromised or curtailed. Particular attention should be given to layouts, access, orientation, servicing, public realm, air quality, soundproofing and other design mitigation in the residential development.*

Map A – extract of Merton's SILS and LSIS from new Local Plan policies map 2021





Policy 13.2 “Business locations in Merton” identifies the following SILs in Merton Council

| Strategic Industrial Locations                              | Size (hectares) | Characteristics   |
|---|-----------------|---|
| South Wimbledon Business Area                               |                 |   |
| Willow Lane   | 44ha            | Large industrial area with focus on heavy industry, recycling and waste management                          |
| Durnsford Road / Weir Road                                  | 10ha            | Range of different businesses   |
| Plough Lane   | 15ha            | Range of businesses   |
| Hallowfield Way / Benedicts Wharf - southern half (amended) | 3.2ha           | SIL area with frontage to the A24 (west of tram line) being retained as Strategic Industrial Location. Area |
| Prince George’s Road  | 6ha             | Industrial area behind Colliers Wood town centre. Several trade counters                                    |

The Locally Significant Industrial Sites are:

- Burlington Road
- Bushey Road
- Dundonald Yards
- Garth Road
- Gap Road
- Rainbow Estate
- Streatham Road

The qualitative analysis is summarised below and is based on the [Mayor’s Land for Industry and Transport SPG](#) - paragraphs 4.14 to 4.16 and Annex 3, which reflects the overarching characteristics detailed across London Plan policies.

| South Wimbledon Business Area          | Qualitative assessment   |
|--|--|
| <b>Policy designation – Local Plan</b> | Strategic Industrial Location – policy Ec13.2  |
| <b>London Plan 2021 designation?</b>   | Strategic Industrial Location in Table 6.2 of the London Plan 2021 and successive London Plans before that (NB it is called Morden Road Factory Estate in the London Plan) |
| <b>Other designations?</b>             | identified as being part of the Wandle Valley industrial market area in the London Plan 2021 and the London industrial land demand study 2017 (13D2)                       |
| <b>Area</b>                            | 38ha   |
| <b>Business Improvement District?</b>  | Yes, <a href="#">South Wimbledon Business Area BID</a>   |
| <b>Existing businesses examples</b>    | - White Light: an electrical and engineering company employing over 200 people and providing theatre and   |



|  |   |
|--|---|
|  | <p>stage lighting to the West End, nationally and internationally.</p> <ul style="list-style-type: none"> <li>- Gas suppliers</li> <li>- Electrical wholesalers – Edmonson and CEF Merton</li> <li>- Police and fire brigade HQs</li> <li>- Wimbledon Studios – television</li> <li>- Warehousing – Ocado, Osborn and Little</li> <li>- Retail warehousing –</li> <li>- Food production – Bako bakery</li> <li>- Magnet Kitchens, Screwfix</li> <li>- Big Yellow</li> </ul> |
| <b>Description / location</b>                                  | Bounded by the A24 Strategic Road Network to the north and west; by the Wimbledon – Croydon tramline to the south and the river Wandle / Wandle trail to the east. Many internal roads (Windsor Avenue, Lombard Road, Jubilee Way, Deer Park Road) which give rise to smaller business districts within the SIL.. Set away from residential.  |
| <b>Sensitive receptors nearby?</b>                             | Close to National Trust Park and Metropolitan Open Land to south and east. A primary and secondary school lie at the other side of the A24 to the north but separated by large walls and the dual carriageway road. Largely set apart from residential  |
| <b>Access (strategic and local roads, railhead, PTAL etc)</b>  | Excellent road access via A24. Within 5 minutes walk to Morden Road tramstop (Wimbledon – Croydon tram) and 10-15 minutes walk to underground stations on the northern line (e.g. Morden, Sotuh Wimbledon). Parts of this large industrial area are PTAL 5, others are PTAL 1a  |
| <b>Near town centres</b>                                       | Parts of the site are within 10 minutes walk of South Wimbledon, Morden and Colliers Wood town centres. 20 minutes from Wimbledon town centre   |
| <b>Supports clusters of similar businesses?</b>                | Yes, evidence of clusters of creative industries (digital, media, television), storage (Big Yellow) warehousing – Osborn and Little, Ocado, retail warehousing (magnet, Screwfix) general industrial processes (gas suppliers), public sector (fire brigade, police)  |
| <b>New / creative / green industries?</b>                      | Yes – see above for creative / emerging industries  |
| <b>Logistics?</b>  | Yes, some warehousing and logistics at Ocado  |
| <b>Waste management? (South London Waste Plan designation)</b> | No  |
| <b>Supports SMEs</b>   | Options for smaller unit rental at some warehouse (e.g. Windsor Park – 15 units   |
| <b>Potential for 24 hour working</b>                           | yes   |
| <b>Market signals</b>  | Well occupied, very high demand for space due to accessible and prominent location, scope for 24 hour operations and modern floorplates. Historically one of best occupied SILs in south London achieving high rental yields. CoStar 2021 reporting prices paid of £392-£447 per square foot.   |

| <b>Willow Lane</b>  | <b>Qualitative assessment</b>  |
|---|--|
| <b>Policy designation – Local Plan</b>                        | Strategic Industrial Location – policy Ec13.2  |
| <b>London Plan 2021 designation?</b>                          | Strategic Industrial Location in Table 6.2 of the London Plan 2021 and successive London Plans before that. (NB it is called “Willow Lane, Beddington and Hallowfield Way in the London Plan although these are geographically separate industrial areas in different boroughs)  |
| <b>Other designations?</b>                                    | identified as being part of the Wandle Valley industrial market area in the London Plan 2021 and the London industrial land demand study 2017 (13D2)   |
| <b>Area</b>   | 48ha   |
| <b>Business Improvement District?</b>                         | Yes, <a href="#">Willow Lane BID</a>   |
| <b>Existing businesses examples</b>                           | Over 150 business, largely characterised by heavy industry <ul style="list-style-type: none"> <li>- Construction (Toby Construction, UK and European Construction Ltd. WW Scaffolding Ltd, SPS Timber windows</li> <li>- Waste management (Killoughery, Riverside Bio, Deadman confidential )</li> <li>- Chemicals (B&amp;D Clays and Chemicals Ltd, Industrial Gas Springs Ltd</li> <li>- Motor works (Willow body and motor works Autobelle Automotive)</li> </ul> |
| <b>Description / location</b>                                 | Located on the Mitcham / Sutton border, close to the larger Strategic Industrial Location at Beddington Lane in Sutton (similar heavy industry and waste management characteristics) Bounded by the river Wandle to the west, Goat Road to the south (the estate’s only HGV exit) leading to the A237 road to the west. Residential hinterland to north and some residential along Carshalton Road immediately adjacent the east                                     |
| <b>Sensitive receptors nearby?</b>                            | Close to Mitcham Common Metropolitan Open Land to east. Residential to the north and along Carshalton Road to the east. Some residential along Goat Road.<br><br>Connect House, an office block at the heart of the SIL, was converted to residential under prior approval c2015.  |
| <b>Access (strategic and local roads, railhead, PTAL etc)</b> | Excellent road access via A237. Within 5 minutes walk to Mitcham Junction rail (Epsom, Sutton, London Victoria, London Luton) and tramstop (Wimbledon – Croydon tram) Low PTAL   |
| <b>Near town centres</b>                                      | No   |
| <b>Supports clusters of similar businesses?</b>               | Yes, evidence of clusters of waste management, construction, aggregates, general industrial processes, motor vehicles  |
| <b>New / creative / green industries?</b>                     | Yes – waste management   |

|  |  |
|--|--|
| <b>Logistics?</b>  | Yes, forthcoming logistics proposal at Willow Lane   |
| <b>Waste management? (South London Waste Plan designation)</b> | Yes, Schedule 1 of the South London Waste Plan for existing waste management sites   |
| <b>Supports SMEs</b>   | Options for smaller unit rental at some warehouse (e.g. Abbey Industrial Estate)   |
| <b>Potential for 24 hour working</b>                           | yes  |
| <b>Market signals</b>  | Heavy industry, not generally modern floorplates. In demand for waste management and other heavy industries with relationships in Beddington Lane. Prices rising – CoStar report 2021 demonstrating £645 per square foot achieved in 2021; higher than residential values in the area. |

| <b>Durnsford Road / Weir Road</b>      | <b>Qualitative assessment</b>   |
|--|---|
| <b>Policy designation – Local Plan</b> | Strategic Industrial Location – policy Ec13.2   |
| <b>London Plan 2021 designation?</b>   | Strategic Industrial Location in Table 6.2 of the London Plan 2021 and successive London Plans before that (NB it is called “North Wimbledon” in the London Plan, as is Plough Lane)  |
| <b>Other designations?</b>             | identified as being part of the Wandle Valley industrial market area in the London Plan 2021 and the London industrial land demand study 2017 (13D2)  |
| <b>Area</b>                            | 15ha  |
| <b>Business Improvement District?</b>  | No  |
| <b>Existing businesses examples</b>    | Very wide range of businesses in long, narrow estate: <ul style="list-style-type: none"> <li>- Waste management (NJB Recycling, Reston Waste)</li> <li>- Food production (Rhubarb, Pan Asia GB, London’s Butcher, the Water Delivery Company, Mustard Foods)</li> <li>- Catering and food logistics (Ocado, Klaremont catering suppliers)</li> <li>- Heating and aircon (Wolseley Climate, GREE UK)</li> <li>- Wholesalers (Bookers UK, Selco, Travis Perkins)</li> </ul> |
| <b>Description / location</b>          | Just off the A218 Durnsford Road. Long, narrow industrial estate ) River Wandle / Wandle trail to the west. Weir Road and Endeavour Way are main internal roads. Land lies higher than the adjacent Wandle Trail and adjacent roads   |

|  |   |
|--|---|
| <b>Sensitive receptors nearby?</b>                             | Close to existing residential development to the south and north, including Brickfield Road and Trewint Street traveller sites to south and north.<br><br>Vantage House, at the edge of the site, was converted into residential under prior approval c2016 |
| <b>Access (strategic and local roads, railhead, PTAL etc)</b>  | Good road access, close to the A218 at Durnsford Road. Local congestion Within 20 minutes walk to Haydon's Road train station (Wimbledon loop). Within 10 minutes walk to Wimbledon Park tube (district line). PTAL maximum of 2 but generally zero         |
| <b>Near town centres</b>                                       | Within 10 minutes walk to Arthur Road local centre and 25 minutes to Southfields (LB Wandsworth)  |
| <b>Supports clusters of similar businesses?</b>                | Yes, evidence of clusters of retail, waste management and car showrooms   |
| <b>New / creative / green industries?</b>                      | no  |
| <b>Logistics?</b>  | Yes, some warehousing, wholesalers and logistics at Ocado, Bookers.   |
| <b>Waste management? (South London Waste Plan designation)</b> | Yes – some sites in Schedule 1 of South London Waste Plan for existing waste sites  |
| <b>Supports SMEs</b>   | Not easily  |
| <b>Potential for 24 hour working</b>                           | limited   |
| <b>Market signals</b>  | Estate has filled up in recent years. Recent CoStar reports don't illustrate sales but planning activity demonstrates continued investment.   |

| <b>Plough Lane</b>                     | <b>Qualitative assessment</b>  |
|--|--|
| <b>Policy designation – Local Plan</b> | Strategic Industrial Location – policy Ec13.2  |
| <b>London Plan 2021 designation?</b>   | Strategic Industrial Location in Table 6.2 of the London Plan 2021 and successive London Plans before that (NB it is called "North Wimbledon" in the London Plan, as is Plough Lane) |
| <b>Other designations?</b>             | identified as being part of the Wandle Valley industrial market area in the London Plan 2021 and the London industrial land demand study 2017 (13D2)                                 |
| <b>Area</b>                            | 10ha   |
| <b>Business Improvement District?</b>  | No   |

|  |   |
|--|---|
| <b>Existing businesses examples</b>                            | <ul style="list-style-type: none"> <li>- Retail sheds to north bordering Plough Lane: Lidl, Wickes, Hobbeycraft, Carpetright</li> <li>- Car dealerships in centre of site: Robins and Day, Manheim Auctions</li> <li>- Cappagh Waste, Express Concrete to south</li> <li>- Wolf Richard medical supplies, GoAhead London bus depot</li> </ul> |
| <b>Description / location</b>                                  | Bounded by Plough Lane (B235) to the north, Lambeth Cemetery to the east (in LB Wandsworth) and the river Wandle / Wandle trail to the west. The train embankment separates the southern end from Wandle Meadown Nature Park (MOL)  |
| <b>Sensitive receptors nearby?</b>                             | Close to Metropolitan Open Land to south and west. New residential development at the AFC Wimbledon stadium to the north, across Plough Lane. Existing residential development at the other side of the river Wandle / Wandle Trail   |
| <b>Access (strategic and local roads, railhead, PTAL etc)</b>  | Good road access, close to the A217 at Garrett Lane. Local congestion Within 10 minutes walk to Haydon's Road train station (Wimbledon loop). 25 minutes walk from Tooting Broadway underground station (northern line). PTAL maximum of 2  |
| <b>Near town centres</b>                                       | Parts of the site are within 25 minutes walk of Wimbledon, Colliers Wood and Tooting Broadway   |
| <b>Supports clusters of similar businesses?</b>                | Yes, evidence of clusters of retail, waste management and car showrooms   |
| <b>New / creative / green industries?</b>                      | no  |
| <b>Logistics?</b>  | Yes, some warehousing and logistics at Ocado  |
| <b>Waste management? (South London Waste Plan designation)</b> | No  |
| <b>Supports SMEs</b>   | No  |
| <b>Potential for 24 hour working</b>                           | limited   |
| <b>Market signals</b>  | Different sectors – retail warehousing at front seeing considerable investment, serving existing and new residents with prominent road frontage. Car showrooms and waste management to rear   |

| <b>Hallowfield Way / Benedicts Wharf - southern half (amended)</b> | <b>Qualitative assessment</b>  |
|--|--|
| <b>Policy designation – Local Plan</b>                             | Strategic Industrial Location – policy Ec13.2  |
| <b>London Plan 2021 designation?</b>                               | Strategic Industrial Location in Table 6.2 of the London Plan 2021 and successive London Plans before that (NB it is called “Willow Lane, Beddington and Hallowfield Way in the London Plan although these are geographically separate industrial areas in different boroughs)   |
| <b>Other designations?</b>   | identified as being part of the Wandle Valley industrial market area in the London Plan 2021 and the London industrial land demand study 2017 (13D2)   |
| <b>Area</b>  | 3.5ha  |
| <b>Business Improvement District?</b>                              | No   |
| <b>Existing businesses examples</b>                                | Small industrial estate so limited range <ul style="list-style-type: none"> <li>- Self storage (safestore, KPak, Philips Warehouse)</li> <li>- Building materials: Travis Perkins</li> <li>- Vehicles and used cars (MMM Auto UK, ZT Trading, TPS London South West)</li> <li>- Art Restoration (Plowden and Smith)</li> </ul> |
| <b>Description / location</b>                                      | Bounded by the A239 Morden Road to the south west and by the Wimbledon – Croydon tramline to the north east and the river Wandle / Wandle trail to the east. Existing residential to the north   |
| <b>Sensitive receptors nearby?</b>                                 | Close to National Trust Park and Metropolitan Open Land to north west and existing residential streets to north  |
| <b>Access (strategic and local roads, railhead, PTAL etc)</b>      | Excellent road access via A239. Within 5 minutes walk to Belgrave Walk tramstop (Wimbledon – Croydon tram) and 20 minutes walk to Morden underground stations on the northern line). Site mainly PTAL2   |
| <b>Near town centres</b>   | 20 minutes walk from Morden town centre, bus ride to Mitcham town centre   |
| <b>Supports clusters of similar businesses?</b>                    | Small industrial estate but some evidence of clusters of motor repairs and storage   |
| <b>New / creative / green industries?</b>                          | Yes – see above for creative art restoration   |
| <b>Logistics?</b>  | No   |
| <b>Waste management? (South London Waste Plan designation)</b>     | No   |
| <b>Supports SMEs</b>   | Limited but size and location favour SMEs even if no direct provision  |
| <b>Potential for 24 hour working</b>                               | No   |
| <b>Market signals</b>  | Well occupied. Size and scale means no market signals reported in CoStar   |



| <b>Prince George's Road</b>                                    | <b>Qualitative assessment</b>   |
|--|---|
| <b>Policy designation – Local Plan</b>                         | Strategic Industrial Location – policy Ec13.2   |
| <b>London Plan 2021 designation?</b>                           | Strategic Industrial Location in Table 6.2 of the London Plan 2021 and successive London Plans before that (NB it is called “Morden Road Factory Estate and Prince George’s Road” in the London Plan 2021)  |
| <b>Other designations?</b>                                     | identified as being part of the Wandle Valley industrial market area in the London Plan 2021 and the London industrial land demand study 2017 (13D2)  |
| <b>Area</b>  | 6ha   |
| <b>Business Improvement District?</b>                          | No  |
| <b>Existing businesses examples</b>                            | Small industrial estate so limited range <ul style="list-style-type: none"> <li>- Food (Wimbledon Brewery, Kims Food)</li> <li>- Trade Counters (Euro car parts, Growell horticulture Store, Fulham Timber and Buidling supplies, Dulux Decorator Centre</li> <li>- Creative industries – Blackout technical events supplier</li> </ul> |
| <b>Description / location</b>                                  | Bounded by the A236 Western Road to the west. Lies just on the edge of Colliers Wood town centre boundary and adjacent to the Tandem Shopping Centre. Relatively small strategic industrial location. No heavy industry. Fragmented site ownership  |
| <b>Sensitive receptors nearby?</b>                             | Close to residential to east and south. Adjacent town centre  |
| <b>Access (strategic and local roads, railhead, PTAL etc)</b>  | Good road access via A236. Within 10 minutes walk to Colliers Wood underground station (northern line). Site mainly PTAL 3  |
| <b>Near town centres</b>                                       | Adjacent Colliers Wood town centre  |
| <b>Supports clusters of similar businesses?</b>                | Small industrial estate but some evidence of clusters of motor repairs and food production  |
| <b>New / creative / green industries?</b>                      | Yes – see above for technical events and specialist food production   |
| <b>Logistics?</b>  | No  |
| <b>Waste management? (South London Waste Plan designation)</b> | No  |
| <b>Supports SMEs</b>   | Size, location and fragmented land ownership favour SMEs  |
| <b>Potential for 24 hour working</b>                           | Limited   |
| <b>Market signals</b>  | Well occupied. Size and scale means no market signals reported in CoStar  |

**CENTRE  
FOR  
LONDON**

**Working Space: Does London  
have the right approach to  
industrial land?**

# Industrial Land Commission: Initial Conclusions | September 2021

*Nikita Quarshie and Nicolas Bosetti, with Josh Cottell*

## About Centre for London

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## The Commission

Centre for London is convening an independent, expert-led commission on the future of industrial land in London, chaired by Liz Peace CBE, supported by a secretariat at Centre for London. The Commission is exploring how London can make best use of limited available land to meet the city's competing needs. Our key areas of investigation include:

- What role does industrial land play in London's economy, and how is this changing?
- How do we balance the need for industrial land with other uses?
- How can London optimise its use of industrial land, and what can local, city and national government do to support this?

## This paper

The aim of this paper is to invite comments on our initial conclusions. It also includes a review of evidence on which these conclusions are based.

We would really welcome your feedback on our initial conclusions. You can do so by completing this form.

## Acknowledgements

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## 1. Industrial land in London today

### London's industrial land market: Squeeze on space

London's industrial land is under pressure. In the last 20 years, the city released almost six million square metres, about 23 per cent of total industrial space. At the same time demand for industrial land did not fall,<sup>1</sup> so the competition for industrial premises in the capital has intensified. Vacancy rates, which stood at 16 per cent in 2001, are now around four per cent across the city<sup>2</sup> - a lower vacancy rate than for office space.<sup>3</sup>

Increased competition for industrial premises has led to a steep rise in rental prices and land values. Of course, there is a huge range of occupiers on London's industrial land market and their requirements vary, and so vacancy rates and land values are highly segmented. Generally, land value pressures have been felt most intensely in central and inner London where demand has been strongest and where a greater proportion of industrial land has been released. In some areas the increase in industrial land values has been astounding. In 2020, land values in Park Royal were as high as £7 million per acre, up from an average of £2.5 million in 2017.<sup>4</sup> And according to forecasts, the rise in industrial land values is set to continue at pace: over the next five years, London and the wider South East region could see a 50 per cent increase in its industrial rental values.<sup>5</sup>

Rising prices and increasingly constrained supply of industrial land make it difficult for smaller and emerging businesses to compete with sectors willing to pay higher land costs for central locations. 52 per cent of businesses surveyed by the Federation of Small Businesses in 2018 maintained that in five years' time, they didn't expect to be in the same London locations due to issues around affordability and availability of space.<sup>6</sup> Moreover, the lack of affordable space also prevents businesses from being able to expand into larger and more suitable sites as their operations grow, again leading to the displacement of certain activities.<sup>7</sup> For businesses that have had to relocate and still require access to London markets, this can lead to higher carbon emissions and traffic congestion – we explore this later in the paper. Those businesses that remain are often having to deal with ageing premises, since rent increases are driven by the scarcity of available space, rather than landlords investing in the quality of facilities.

The rise in industrial land values has been such that in some London areas, industrial land values have surged past residential land values, according to anecdotal evidence presented to the Commission. While high industrial land values can slow down the loss of industrial premises overall, only higher value industrial uses stand to benefit – such as logistics sheds or data centres. Other uses that cannot afford higher rents, such as small makerspaces or workshops, would continue to be priced out of the city.

### **The land of 1,001 activities**

London's industrial land hosts a huge diversity of activities. At a time when some of London's industrial heritage buildings have been converted into spaces for national art galleries or expensive homes, it would be easy to think of the city's industry as a relic of the past. However, London still relies on critical industrial infrastructure to function and support the daily lives of its residents and businesses. These range from waste disposal sites and water storage to the warehouses that ensure that our homes, businesses, and shops are supplied with the goods we need.

Until as late as the 20<sup>th</sup> century, London was a major centre for manufacturing and maritime trade. Though heavy industry began to leave the capital in the 1960s and 70s, London still retained a diverse network of industrial activities and sites. Some of these are more ‘traditional’ types of industry - such as food factories, wholesale food suppliers, steel refineries, motor repair, and storage for aggregates and construction materials. However, the activities that take place on industrial sites are wide ranging and include, but are not limited to, film production, servicing and repairs, recycling and distribution.

As the city’s economy evolves, many traditional forms of industry have changed or given way to other types of operations that take place on industrial sites. Large-scale manufacturing is now the exception rather than the rule. Newer activities are emerging such as last-mile consolidation centres and dark kitchens, serving the growing consumer demand for ultra-convenient food and goods deliveries. And increasingly critical infrastructure such as data centres reflect how practically all jobs have become digitally enabled.

Nonetheless, despite the evolution of some industrial activities, the perception of industry as heavy, dirty, and smelly remains in the public imagination.

The nature of certain industrial activities does mean that they require specific types of industrial sites that are also strategically located to operate successfully. For example, large scale manufacturing and logistics operations need servicing areas, loading bays, yard space, access roads and holding areas for vehicles ranging from heavy goods vehicles to electric vans. Some activities need to operate around the clock, making them more ‘difficult’ neighbours to locate near homes, and resulting in them being hidden from view in strategic industrial locations.

But other industrial operations are easier neighbours to accommodate and are not necessarily cordoned off away from residents and town centres. Many, such as printers, bakeries, motor repairs and laundries, are nestled into the city’s high streets and residential areas. For example, within London’s ‘Maker Mile’ district, which includes Hackney and Tower Hamlets, manufacturing and making has become embedded into a mainly residential and commercial area because the processes of these businesses are mostly non-polluting and quiet. Proximity to one another and to the local community has allowed local manufacturers to diversify their activities and blur the line between manufacturing, sales, design and training.<sup>8</sup>

### **Public perception and business voice**

Despite its crucial role, activities happening on industrial land are not always well understood and receive relatively little attention. Many industrial activities, from waste management to the delivery of goods and services, do their job so efficiently that Londoners scarcely notice them happening.

Additionally, some of the newer activities that take place on industrial estates, such as coffee roasting or dark kitchens, may be less recognisable as industry, therefore leading to a misunderstanding of the sector, and a lack of public support.

This misunderstanding is experienced not just by the public but also by some development professionals and decision makers, who may not be aware of the changes and new trends in the sector.<sup>9</sup> According to a leading expert on industrial land, while

the new use classes have introduced more flexibility, their ambiguity poses a new challenge for planning officers around how to define industrial uses that don't fit neatly into existing use class orders.

Within individual sectors, there are organisations that speak on behalf of and build visibility for their respective industries. Such organisations are more common at a national level, with examples such as Logistics UK which represents the interests of all logistics and buyers of freight services. At the London level, networks such as the UKFT London Manufacturers have sought to bring together fashion manufacturers and address the common issues that threaten their stability and growth as well as create employment in disadvantaged areas.<sup>10</sup>

There also are organisations that lobby on behalf of all businesses – for example the London Chamber of Commerce and Industry is important in providing a voice for a range of businesses of all sectors and sizes and has contributed to processes such as the Examination in Public for the London Plan.

However, according to a team member we spoke with, they are rarely proactively asked about issues around industrial land.

In 2017 the Greater London Authority created the Industrial and Logistics Sounding Board, a coalition of occupiers, business representatives, academics, and planning and property experts to independently scrutinise and respond to the Draft London Plan's policies on industrial land. A member of the Sounding Board we interviewed said the Board acted as an important starting point for building a collective voice across different stakeholders who use industrial land and ought to have a continuing role – the Board was last active in 2018.

Currently, no coalition exists to speak exclusively on behalf of all industrial land users in London. The diversity of industrial activities, and the fact that most of the industry is made up of micro and small and medium enterprises may present a challenge to the building of such a coalition.

## 2. Policy context

This section looks at the key policies that impact on the availability of industrial land. We focus on land use and planning policies, as these have direct impacts on land supply. Of course, there are other policy areas, such as transport or housing policies, which effect on the availability of industrial land premises. For example, industrial businesses usually need to make and receive deliveries, so restrictions on freight and delivery vehicle access, or lack of loading space, can make premises earmarked for industrial use unviable for most industrial activities. We are exploring the issue of freight as part of our [Freight and Deliveries research project](#).

### **Designation and release**

Some planning tools are available to protect industrial uses. Many industrial sites are 'designated' – which means that local authorities can require that development proposals do not “compromise the integrity or effectiveness of these locations in



accommodating industrial type activities.”<sup>11</sup> Designations were originally introduced to separate industries from other city activities, to prevent nuisances for residents, and to safeguard land for essential functions. Today around two thirds of industrial land is protected by ‘strategic’ and ‘locally significant’ status.

London’s experience of deindustrialisation, paired with a growing population and economy has meant that in the last two decades, the city’s industrial land (both occupied and vacant) has provided a valuable source of land for housing, offices, retail, cultural institutions, and parks. Industrial land release, and in particular the conversion of industrial land to residential use, has been encouraged by London mayors and governments’ ‘brownfield first’ strategy to increase housing stock by densifying the inner city.

The pressures on London’s industrial land have been intensified by other political commitments that constrain land supply – such as housing targets, strict protections on development in the Green Belt, conservation areas, or opposition to taller buildings, especially in the suburbs and in the rest of the Wider South East. Many local authorities have felt they have no choice but to allow the release of industrial land, to even have a chance of meeting housing targets.

### **No net loss**

The Draft London Plan published in July 2017 acknowledged the importance of industrial and logistics land for London’s economy in the face of diminishing supply. Research commissioned by the Greater London Authority (GLA) showed that between 2010 and 2015, London released industrial land three times faster than it had planned to - exceeding monitoring benchmarks set by the GLA in 2011.<sup>12</sup> In acknowledging this problem, policies E4-E7 of the Draft Plan sought to develop a framework to better manage the protection, release and conversion of designated land and thus make best use of existing industrial land. This included intensifying and co-locating industrial activities and working with local authorities elsewhere to substitute some of London’s industrial land capacity. Central to this framework was the ‘no net loss’ policy - a protection mechanism that sought to safeguard remaining industrial capacity by requiring that conversion of industrial spaces to other uses should be offset within London, except in a few exceptions.

But upon review the Secretary of State asked for the removal of the ‘no net loss’ policy, arguing that its removal was necessary for London to meet its housing targets and out of a desire to give boroughs more flexibility to identify industrial land that could be released or redeveloped for housing.<sup>13</sup> This removal will make it harder to protect against the continued release of industrial land.

Some respondents to the London Plan consultation were also concerned that intensification was not going to happen on a scale required to make up for any release of industrial land. Intensification generally refers to initiatives that increase industrial floorspace. These include retrofits (for example by adding basements or small units to existing buildings), redevelopment, to create stacked industrial premises, or making existing uses more efficient (for example, through sharing yards). However, industrial tenants and developers made the point that intensification will not be suitable for all

occupiers and their operational needs, and in cases where it can work, it can be very expensive – as building structures, access ramps and inability to phase development mean high upfront cost and risk.<sup>14</sup>

### Permitted development

According to a senior London politician that we spoke to, a further extension to Permitted Development Rights will have a major impact on industrial land in London. The extended Right, which was first introduced in 2017, allows offices and light industrial units to be converted to housing without planning permission.<sup>15</sup> The use of Permitted Development is controversial, since although it has contributed to increasing housing stock in London the quality of some of that new stock has been highly questionable and in addition it has reduced the space available to small businesses.<sup>16</sup> Extensions to these rights were introduced in 2020 to allow more light industrial uses, which now belong to a new and broader Use Class E (commercial, business and service) to be converted to residential.

The 2020 reform will impact on non-designated industrial land, such as smaller sites often scattered around London's high streets, on the fringes of commercial areas and even within neighbourhoods, which make up over a third of London's total industrial land. While strategic industrial locations (SILs) and locally strategic industrial sites (LSIS) have stronger policy protection, the PDR would also apply there for vacant buildings that previously hosted a Class E use.

## 3. The value of industrial land to London

*“Just having housing is not sustainable... a fair, equitable and desirable city has a synergy between different uses”* - Director, architectural practice

Practically every aspect of city life is supported by industrial land – and some of these essential activities need to take place within London.

As London continues to redevelop land for the homes it needs, industrial infrastructure plays a complementary role in supporting and servicing these residential developments - whether it's the concrete batching plants essential for constructing homes, the recycling sites that deal with household waste, or the warehouses that store the goods we need. Whilst not all of these functions have to take place in London, as the city moves towards the net zero carbon, having industrial sites close to neighbourhoods and other centres of demand for goods and services will be essential in order to optimise the mobility of goods, reduce congestion, deliver alternative transport modes, and develop a more circular/zero waste economy. On top of this, industrial activities provide a wide range of jobs. Though less obvious, industrial activities also support London's cultural life. For example, behind the scenes of an institution as internationally renowned as the Barbican Arts Centre is a network of set makers, food and drink manufacturers, printers, lighting specialists, logistics businesses and more that allow the venue to function.<sup>17</sup>

## The economic and employment benefits of industrial land

Industrial activities support the functioning of London's economy and create employment. In 2019 industrial jobs in manufacturing, construction, wholesale and repair, and transport and warehousing sectors comprised up to 12 per cent of overall jobs in the capital.<sup>18</sup> The total gross value added (GVA) of these sectors amounted to £78.1 billion in 2017, roughly 16 per cent of London's GVA<sup>19</sup>. Limits to industry codes, such as the UK Standard industrial classification of economic activities (SIC) used to define 'industrial' jobs, means that these figures will change depending on what sectors are understood as industrial. Park Royal alone, one of London's largest industrial sites which hosts many, diverse small and large businesses, is estimated to generate approximately £3.5 billion GVA per year.<sup>20</sup>

Industrial land supports the growth in jobs within sectors critical to servicing and supporting London. Whether it's mechanics repairing cars, manufacturers developing vaccines, or fashion designers and tailors working in the East End - these different types of jobs benefit from access to industrial land within or close to the city. Between 2015 and 2019, employment in food manufacturing in Greater London grew by 48 per cent, construction by 35 per cent and logistics, warehouse and distribution by 23 per cent.<sup>21</sup> Additionally, the shift to a circular economy, which will involve a reduction of London's waste could lead to around 40 new facilities to reuse, repair and remanufacture materials, and create up to 12,000 new, green jobs.<sup>22</sup>

While the number of jobs that industrial land supports is important, so too is the range of employment it provides. Certain activities such as heavy manufacturing may have declined, but this has given way to a diversity of both high- and low-skilled jobs that attract different talents.

Industrial jobs also provide routes for career progression, and training opportunities for Londoners with low or no qualifications. Such opportunities can be particularly valuable in areas surrounding industrial estates that experience high levels of deprivation.<sup>23</sup> Because industrial land is more distributed across the city than office space, and thanks to the diversity of operations that take place on industrial estates, industrial land supports a wide range of entry level jobs. For example, micro mobility logistics operators such as Pedal Me provide entry-level jobs that require specialist skills by offering an extensive four-year training programme in partnership with the City of London Corporation.<sup>24</sup> Troubadour Theatres film and TV studio is another example of local contribution to employment and skills development. The studio, which will be built as part of the development of Meridian Water, will also host a skills academy that will provide training for residents on how to work in the film and television industry.<sup>25</sup>

## Meeting London's environmental goals

The Mayor has committed to reach net zero carbon emissions in London by 2030, as a critical step in addressing the climate emergency. With a fifth of London's total carbon emissions coming from road vehicles, decarbonising road transport is a major part of this agenda.<sup>26</sup> Transport for London identifies the loss of industrial land as one of the main drivers of the increase in vehicle kilometres travelled by vans to deliver the same value of goods and services.<sup>27</sup> A senior member at one of the UK's largest trade associations emphasised to us that in order to ensure speedy and greener freight

movements, especially as online shopping increases, London will need suitable sites for micro-consolidation and to support the transition towards electric vehicles. London now has close to 6,000 electric vehicle charging points, leading the way among other European cities.<sup>28</sup> However, the capital will need well-located land and depots to house the number of vehicles needed, and these vehicles will also need to be serviced and maintained.<sup>29</sup>

The availability of industrial land in the future will also help the capital achieve the other prongs of its environmental strategy. The London Plan's target for net-self efficiency by 2026 (i.e. 100 per cent waste managed within London) requires the protection of existing waste sites as well the provision of new ones. While the shift to a circular economy will see a reduction of London's waste, according to the London Infrastructure Plan 2050, this will require investment in new facilities in order to reuse, repair and remanufacture materials.<sup>30</sup>

The operations of certain industrial activities also support the city's wider environmental goals. Crucially, industrial space hosts the construction businesses that will participate in greener construction and the much-needed retrofit revolution. Some industrial uses can generate low carbon heating – for example the excess heat generated by data centres has the potential to supply district heating systems.<sup>31</sup> As other industrial sectors evolve and achieve their own sustainability goals, increased data centres and broadband connectivity will also be vital for technological innovations such as robotics and data sharing platforms needed to ensure more efficient operations.

### **Sustaining innovation in science, technology and culture**

London is a world leader in science, technology and creative sectors, and innovation in these sectors either requires access to, or is supported by industrial land in the capital. Industrial sites traditionally offer affordable areas that sustain London's innovation and creative scene, act as an incubator for start-ups, and help stimulate the social and professional network that generate creative dynamism and new ideas.

Access to affordable and flexible spaces supports London's creative and innovative ecosystem - one in which a graduate from one of London's universities or specialist schools can, through access to people, tools, and sites, go on to produce and create within the city. A biomanufacturer we spoke to mentioned that as a young company, a lot of their team are recent graduates in their early 20s and 30s who want to live in the city. While their company had piloted a facility in the south of England, they struggled to find highly skilled workers with the same level of expertise and access to newer knowledge as those they had previously worked with in London. Similarly, makers in Tower Hamlets and Hackney have been explicit about the significance of London in providing access to talent, establishing links with other businesses for both custom and collaboration, and enabling access to markets.<sup>32</sup> Having a wide range of activities taking place within close proximity to one another also means that designers and creators can test ideas quickly. Makers have also highlighted how being located close to residents has enabled them to offer places where communities can come together to share tools and knowledge. From a policy perspective, this proximity could also help revitalise high streets – through the emergence of hybrid light industrial and retail spaces – such as Bread Ahead or makerspaces.

## 4. Future trends

Because good land use allocation takes future needs into account, this section looks at how the key pressures on London's industrial land are likely to change in the future.

### **Housing need**

London has a population of approximately nine million, and according to pre-pandemic estimations, this is expected to rise to 10.8 million by 2041.<sup>33</sup> While Covid-19 has created a lot of uncertainty around population projections and future housing need, the city is still under enormous pressure to provide quality and affordable homes.<sup>34</sup>

### **Changes to how we work and live**

Empty shelves during the COVID-19 pandemic highlighted our dependence on industrial infrastructure such as logistics to get the goods and supplies that we need. The pandemic also resulted in a much greater proportion of the goods that people purchase being delivered to their door, rather than purchased in person – in a shop or restaurant. According to the Office of National Statistics, online purchases made up 34.6 per cent of total UK retail sales in February 2021, compared to 18.3 per cent in February 2019.<sup>35</sup> The lifting of restrictions may lead to a short-term reduction in e-commerce, but it is likely that some of this expanded demand will remain in place.

In addition to buying goods online, there's been an increase in the expectations of consumers for fast, frequent deliveries of goods of various kinds – and this is likely to continue. Fulfilling these expectations will increasingly need last mile sites that are close to consumers, particularly in the case of perishable goods with short shelf-lives, and to ease congestion. These factors have increased demand within already growing industrial sectors such as third-party logistics and 'big box' distribution. Industrial space take-up (the amount of space being leased) and investment volumes across London in Q1 2021 were double the amount recorded in the same quarter last year, with retailers and distribution centres accounting for 70 per cent of this take-up.<sup>36</sup>

The pandemic has also highlighted how quickly changes can be made to the way we work, and the tools necessary to support this transition. As new technologies and innovations bring forward what has been termed the 'Fourth Industrial Revolution', the way we work and the types of jobs we do are expected to change further. London will require the land and talent necessary to remain competitive and support the emergence of new technologies – from the production of robotics and development of software to the recycling and re-use of goods. Policy regulating land use will need to be responsive to economic changes and provide flexibility, so new sectors can emerge in the capital.

### **Demand for industrial land following COVID-19 and Brexit**

The COVID-19 pandemic appears to have led to an increase in demand for industrial land in the UK, due in significant part to the increase in online shopping described



above.<sup>37</sup> The pandemic also highlighted to companies the vulnerability of international supply chains to external events. It may trigger a generalised shift towards building more resilient production and logistics capacity, as organisation shift away from just-in-time management with long co-dependent and very lean supply chains, to a just-in-case footing favouring the local over the international, and the robust over the efficient.

Meanwhile, the exit of the UK from the European Union (EU) is likely to change goods transport across borders. Businesses may need more storage space due to increased processing times, and EU traders may need to locate some of their distribution activities in the UK to avoid some of the trade friction introduced by Brexit.<sup>38</sup> The opposite may also be true – some UK firms no longer trading with the continent – so while we know Brexit will impact demand on London’s industrial land, it’s still unclear how this restructuring will unfold.

## 5. Initial conclusions

Based on the evidence on past and future trends, we have come to the following conclusions to guide the development of our recommendations:

### **1. Evidence suggests that we do not have enough industrial land in London.**

Rapidly rising land values and extremely low vacancy rates are signs that London’s industrial land market is overheating. There is demand for industrial premises but the market often doesn’t provide the right space, in the right location and at the right price. This is creating problems London does not want to have, which we go into in subsequent points.

### **2. Further reductions in industrial land will impact on London’s economic success and its ability to respond flexibly to changing patterns in society.**

As set out earlier in the paper, London’s industrial land supports a broad range of activities that keep London ticking – from the construction of new homes to utilities, and from waste remediation to the restocking of supermarket shelves. Many industrial businesses are core to London’s innovation economy and offer a wide range of jobs, some of which are highly skilled.

Industrial land hosts strategic activities that must happen within the city’s boundaries – and those often have specific requirements, making it impossible or unviable for them to relocate. For example, utility networks need stations within the city, and high-end manufacturers rely on having a large pool of skilled workers locally. The scarcity of land means it is more difficult to accommodate these activities in London.

Some industrial activities need very specific conditions to operate – such as large sites or proximity to transport links – that make it virtually impossible to re-locate within the city, let alone within any given local authority. Other light industrial activities work well in mixed use neighbourhoods, though many will also have operational requirements, such as freight and deliveries.

**3. Industrial land is definitely poorly understood. We need a more co-ordinated voice to speak out for its economic contribution to London**

Because industrial activities operate out of view from most Londoners, the need for industrial land feels remote to their daily experience of the city. In raw political terms, there are more votes in housing than industrial land.

Some industrial occupiers feel misunderstood by public opinion and local authorities – and there is still a legacy view that industrial activities are predominantly dirty, noisy and polluting, or generally constitute an unproductive use of land.

Many industrial occupiers also say their voices have been crowded out from the public debate – either by other economic sectors, or because the land use pressures are seen as essentially a London problem. This can play against industrial land use and users in planning decisions.

Decision making about land use will therefore require a broader and better understanding of the value of industrial land to the city, and to help with this, a stronger voice from businesses that use and rely on industrial premises.

**4. There are some types of industrial activity which have to be within London's boundaries and these should be 'protected' in some way, but others could work well elsewhere.**

Many of the remaining industrial activities remaining in the city need to locate here – because they provide essential services to Londoners and support the city's economy, or rely on the skills of London workers. But other activities may be 'legacy' industrial activities, which are located in London because they started here, but could operate elsewhere, though this depends on the cost of relocation.

**5. Employment opportunities are as important as housing provision – and the latter should not, in policy terms, be allowed to trump the former.**

Londoners need places to work as well as to live – and industrial activities make up for 12 per cent of London's jobs, according to our estimate in section 3. As we've shown, industrial land encompasses a wide variety of jobs across the capital, at all skill levels.

**6. Sustainability implications of moving industrial land outside London also matter.**

Moving industrial activities further out of the city increases miles driven by freight and delivery vehicles, and increases their carbon and air pollution impacts. Boosting reuse and repair activities will also require land within the city. London will therefore need industrial land to meet net zero carbon targets.

**7. There needs to be some sort of 'intervention' to achieve the outcomes set out above – it is for further debate whether this should comprise protection of some sort for some or all types of industrial land or whether it is better to do it by means of light-touch interventions - and whether those interventions come at national, London, or borough level – or a combination of all three.**



- 8. Whatever the intervention, the London Plan should always determine overall land use strategy. To enable this to happen, changes to the London Plan process would be needed:**
- **The government’s role in approving the London Plan should be limited, for example, to a small number of nationally important issues**
  - **The London Plan process should be more nimble, to allow for a more responsive industrial land strategy.**

There needs to be a citywide strategy on industrial land supply: release of industrial land in one local authority impacts on demand in others – and many industrial uses serve more than just a local function.

But any industrial land strategy will need to be responsive – the last iteration of the London Plan took five years from initiation to publication. During such a long period of delay it is very difficult for policies to react to changing circumstances.

On top of this, London’s industrial land use strategy should not be overruled by central government, except for a limited number of matters of national importance, since London politicians are better placed to represent the interests of the city, its residents and workers.

- 9. ‘Industrial land’ is too broad a classification - intervention should include introducing more granular definitions for industrial land designation (see 4. above). Designation could be based on criticality, neighbourliness or other criteria yet to be determined.**

As shown earlier, there is a huge diversity in the activities taking place industrial land, but this is generally not reflected in the designations that local authorities make, which are usually ‘blanket’ designations. There are a few exceptions, for example in safeguarding waste disposal sites or wharves, but generally designation is not based on local and citywide needs, site constraints and opportunities. This makes it particularly difficult for planning authorities to encourage the provision of types of industrial land that are most needed locally, to encourage the best use of the existing land, and to manage potential conflicts with nearby uses.

On top of this, London-wide targets are useful but they don’t say much about local need and local context. For example, freight consolidation requires small to medium size spaces in dense areas for last mile deliveries, while bigger sheds are needed at the London fringe. Understanding what industrial uses add most economic, social or environmental value to different London areas would help planning authorities decide where to protect, release or add industrial land, and of what kind.

The ability of industrial activities to operate within the city also differs. Some activities work well near homes, shops or offices, while other industrial processes can’t mix with other uses – for example because of their hours of operation or the traffic they generate. An index of neighbourliness would help with land use decisions, could encourage more mixed use, or make sure industrial processes are not jeopardised by development nearby.

It is up for discussion whether boroughs should have an increased role in specifying these different requirements – as doing this well will require increased levels of expertise to work out a more complex industrial land usage policy.

**10. Intensification of industrial land use offers a supplement to protection but it is expensive and there would need to be financial support from the government or the GLA to facilitate intensification of existing sites.**

Intensification should be encouraged – we have heard from an industrial land developer that intensification of industrial land is still a rarity in London, though it is happening more.<sup>39</sup> There are examples of countries where it is more common that London could learn from. The city will need policies that drive investment in intensification, but that are tempered with realistic ambitions given the complexity and cost of intensifying use in some instances.

Policies could be introduced to encourage intensification of industrial land to provide more capacity, for example through a rebate on development taxes or business rates, or through public investment to assemble land or de-risk intensified developments. This would create some additional capacity over time and would also help upgrade building stock.

**11. London will need to coordinate its industrial land policies with neighbouring authorities in the Wider South East.**

London is already supported by industrial activities outside its boundary, many of which are located elsewhere in the Wider South East.

On the one hand, further reductions in industrial land in London would add pressure onto neighbouring authorities, where land use is even more constrained by Green Belt protections. On the other hand, protecting and providing industrial land within London will not ease pressures by much if surrounding authorities are pursuing opposite strategies – so cooperation across the London boundary will be key.

*The Commissioners welcome views on these initial conclusions as we move towards our final policy recommendations. You can submit yours [by completing this form](#).*

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