

City of London  
City Plan 2040  
Offices Explanatory Note

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## 1.1 Introduction

1. As set out in the Procedure Guide for Local Plan Examinations (paragraph 1.6), Local Planning Authorities (LPA) sometimes submit to the examination a list of proposed changes to the published plan that have not been the subject of consultation. The Inspector will not treat those proposed changes as part of the plan to be examined. However, the Inspector may consider it appropriate for some or all of the LPA's proposed changes to be discussed at the hearing sessions, and in appropriate circumstances they may form the basis for Main Modifications.
2. In the context of paragraph 1.6 of the Guide, the City Corporation will submit to the examination a list of proposed changes to the published plan. While the City Corporation does not believe Main Modifications to be required at this stage to make the plan sound, these changes are being proposed in the spirit of ongoing collaboration with stakeholders and to inform discussions at the hearing sessions. Should the Inspectors consider it appropriate, the City Corporation would welcome the opportunity for these to be discussed at the hearing sessions, and (in appropriate circumstances) for these to form the basis of Main Modifications, should the Inspectors consider Main Modifications necessary. This explanatory note makes reference to areas of the plan where the City Corporation will propose changes, in line with the approach set out in paragraph 1.6 of the Procedure Guide.
3. This explanatory note provides clarification in response to issues raised relating to the provision of office floorspace in Regulation 19 responses collected from 18 April to 17 June 2024.
4. Related evidence base documents:
  - City of London Future of Office Use report (ARUP/Knight Frank, July 2023 (ED-OFF1))
  - City Plan 2040 Office Topic Paper, March 2024 (ED-OFF2)

## 1.2 Context

5. The representations on City Plan 2040 relating to office floorspace focus on the following key themes:
  - *Strategic Policy S4: Offices* – A significant number of comments expressed a view that demand for office development is at the upper end of the evidence scale between 1.55 and 1.9m sqm, with some calls for 2m sqm. Conversely, other respondents questioned the need for the volume of office space the City Plan seeks to deliver in the context of changes to working patterns and vacant space, and the potential impacts on the historic environment. The GLA note that the office demand is aligned with the GLA employment projections. Other comments questioning the requirement in comparison to delivery.

- *Policy OF1: Office development* – There was broad support for the retrofit approach with some clarifications requested in relation to alignment with other policies such as DE5 - Shopfronts. Some respondents queried the affordable workspace requirements, considering it not to be in line with London Plan policy E3 – Affordable Workspace in relation to the supporting evidence. (Note: this was not raised by the Mayor of London).
- *Policy OF2: Protection of Existing Office Floorspace* – suggestions were made requesting additional flexibilities in relation to the criteria, including some exceptions to, or removal of, the 12 month marketing requirement. There was positive support on how the policy fit into the overall strategy of the local plan. There was concern of an application using the retrofit first approach in meeting the proposed criteria to ensure it was considered for a change of use. Some suggestions that the retrofit first approach has potential to leave offices unoccupied for periods of time where there is no potential to be converted to other uses. Some respondents supported the retrofit first approach in OF2 but queried the relationships with the Office Use SPD.
- *Policy OF3: Temporary ‘Meanwhile’ Uses* - Some respondents consider that meanwhile uses should be for up to five years (rather than three).

### 1.3 Office stock and demand in the Square Mile

6. Currently there is approximately 9,381,955 sqm (GIA) of office floorspace in the City.<sup>1</sup>

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<sup>1</sup> City of London Corporation. Development Monitoring Data 2024.

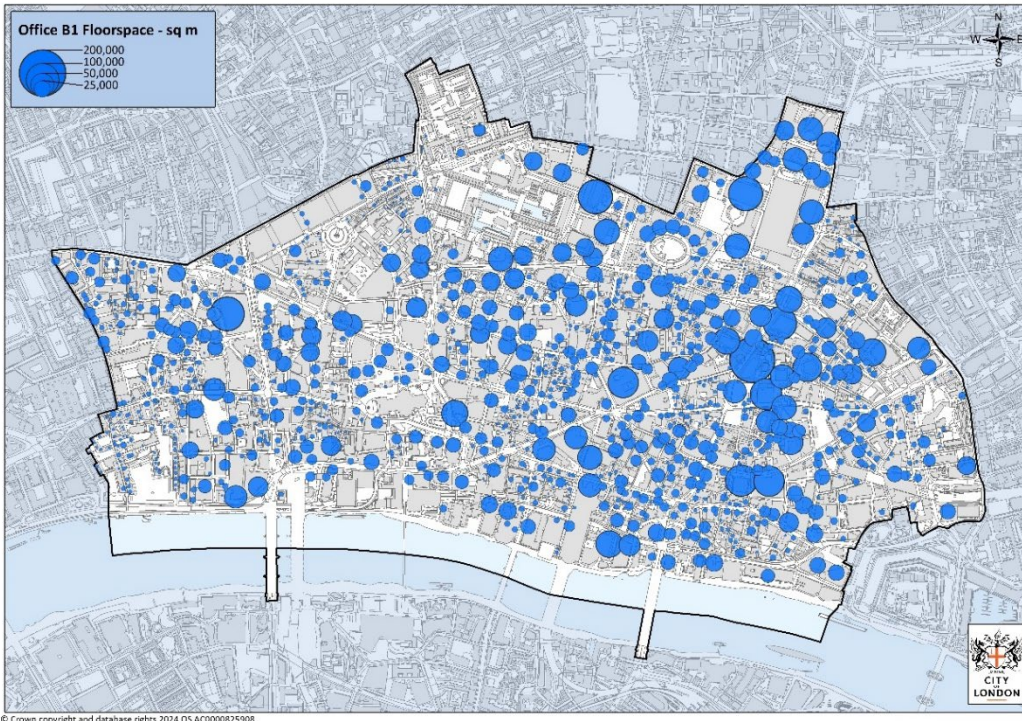


Figure 1 Office distribution map in GIA floorspace March 2024

7. City Plan 2040 identifies the following strategic priority:

“Delivering sustainable economic growth, including a minimum of 1.2 million sqm net additional office floorspace by 2040.”

8. Strategic Policy S4: Offices sets out that:

“The City Corporation will facilitate significant growth in office development of the highest quality to meet projected economic and employment growth, by ... increasing the City’s office floorspace stock by a minimum of 1,200,000 m<sup>2</sup> net during the period 2021 to 2040”

9. Sufficient office space is required to accommodate the increase of approximately 60,000 office based jobs.<sup>2</sup>

10. The City of London Future of Office Use report (ARUP/Knight Frank, July 2023 (ED-OFF1)) uses the Greater London Authority’s (GLA) employment projections as the starting point for calculating demand for office floorspace.<sup>3</sup> To reach an accurate estimate of demand, the job projections provided to the CoLC by the GLA do not constrain the figures by the capacity of the area. The jobs projections in the City of London Future of Office Use report are

<sup>2</sup> GLA Economics. Employment projections 2022: Unconstrained. (2022). *Unpublished*.

<sup>3</sup> ARUP and Knight Frank. Future of Office Use – ED-OFF1. (2023).

therefore for an additional 60,000 office jobs between 2021 and 2042 (for the 'return to in-person' and 'hybrid peak' scenarios).

11. The office floorspace projection is based on utilisation of desk space. The three scenarios developed by ARUP and Knight Frank as part of the evidence base use different attendance rates compared to 2019 levels.
  - Return to in Person: 1.9 million sqm projection, 80% comparable attendance rate
  - Hybrid Peak: 1.2 million sqm projection, 65% comparable attendance rate
  - New Diverse City: 550,000 sqm projection, 50% comparable attendance rate

## 1.4 Return to work

12. Some respondents have submitted representations in which they would like to see the minimum office floorspace requirement be increased from 1.2 to 1.55, 1.8 or 1.9 million sqm.
13. Some representations on the City Plan were concerned about the projected amount of office floorspace given the extent of empty offices in the City and new development in light of the shifted working patterns. However, no evidence was provided to support these claims.
14. Some respondents have identified that more employees are returning to work, Transport for London data is a useful proxy. TfL data on the number of people tapping in and out of stations is one indicator of likely return to work patterns, although these figures do not distinguish between visitors, workers, residents or other groups and do not capture those travelling by bus, cycling and walking. This data has been referred to by the City Property Association (R0176) in their response to the City Plan 2040 consultation. This data indicates that visits by train and tube remain below 2019 levels, but are generally between 70% to 80% of 2019 levels in 2024 (to date).



Figure 2 TfL Year on Year Rail Taps for weekday travel online dashboard (15 August 2024)

15. City Plan 2040 deliberately identifies the capacity requirement as a *minimum* of 1.2 million sqm of additional office floorspace. This reflects the potential that demand may exceed this requirement over the longer term. A minimum requirement is not restrictive to the growth of the City.

## 1.5 Pipeline of delivery

16. Some respondents have questioned what the pipeline of consented and under construction schemes for office floorspace is, and how this relates to the capacity figures published in the City Plan 2040 Office Topic Paper (ref ED-OFF2).
17. To demonstrate how much floorspace has been completed and is in the pipeline, the City Corporation developed an office trajectory. Since 2021/22, 71,993 sqm of office floorspace has been completed with 682,891 sqm that could potentially be delivered by 2032 (including schemes Under Construction, Permitted Not Commenced and schemes with Resolution to Grant awaiting section 106). Expected completion dates have largely been gathered from developers. In total, 754,884 sqm of office floorspace (63% of the total) has been completed, is under construction, is permitted or has resolution to grant, against the

minimum 1.2 million sqm requirement over the plan period.<sup>4</sup> Not all this floorspace will necessarily be delivered, but the figures are a useful indicator to reinforce the capacity modelling undertaken to inform the City Plan.

18. City Plan 2040 has identified the following approximate phasing for office delivery over the plan period to 2040:

- 2021 – 2026 500,000 sqm
- 2026 – 2031 400,000 sqm
- 2031 – 2036 200,000 sqm
- 2036 – 2040 100,000 sqm

19. Historic England’s response to the City Plan has said that they could not know whether publicly quoted amounts of new floorspace in the pipeline are part of or are additional to the 1.2 million sqm minimum. Confusion may have arisen around the pipeline due to methods of monitoring office floorspace and the way data has occasionally been reported in statements by the City of London Corporation. City of London Corporation development monitoring reports publish gross internal area (GIA) figures, and public statements have sometimes reported the pipeline of new floorspace being delivered but not accounted for existing floorspace.

20. The pipeline set out above, and the capacity modelling on which the City Plan is based, both use net internal area (NIA) and are a net additional figure, ie what would be delivered minus any existing floorspace on development sites and any proposed loss of office floorspace. This is the correct approach as the City Plan 2040 requirement of a minimum of 1.2 million sqm is a net additional figure of NIA.

21. Currently the cumulative delivery of office floorspace is broadly aligned with the minimum for each phase, and does not provide strong indication that the requirement for a minimum of 1.2 million sqm of additional office floorspace should be amended.

22. 1.2 million sqm is considered to be a minimum requirement to support office demand, based on objectively assessed need. The City Plan in places describes this figure as a ‘target’. In response to comments received, the City Corporation intends to submit a proposed change to the plan to alter the wording in S4, with the “Reasons for the policy” section updated to revise “target” to “minimum requirement”.

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<sup>4</sup> The Development Monitoring information is captured as Gross Internal Area. The figures represented in this report represent Net Internal Area, unless otherwise specified, which was calculated with office NIA as 85% of GIA. City of London Corporation. Development Monitoring 2024.



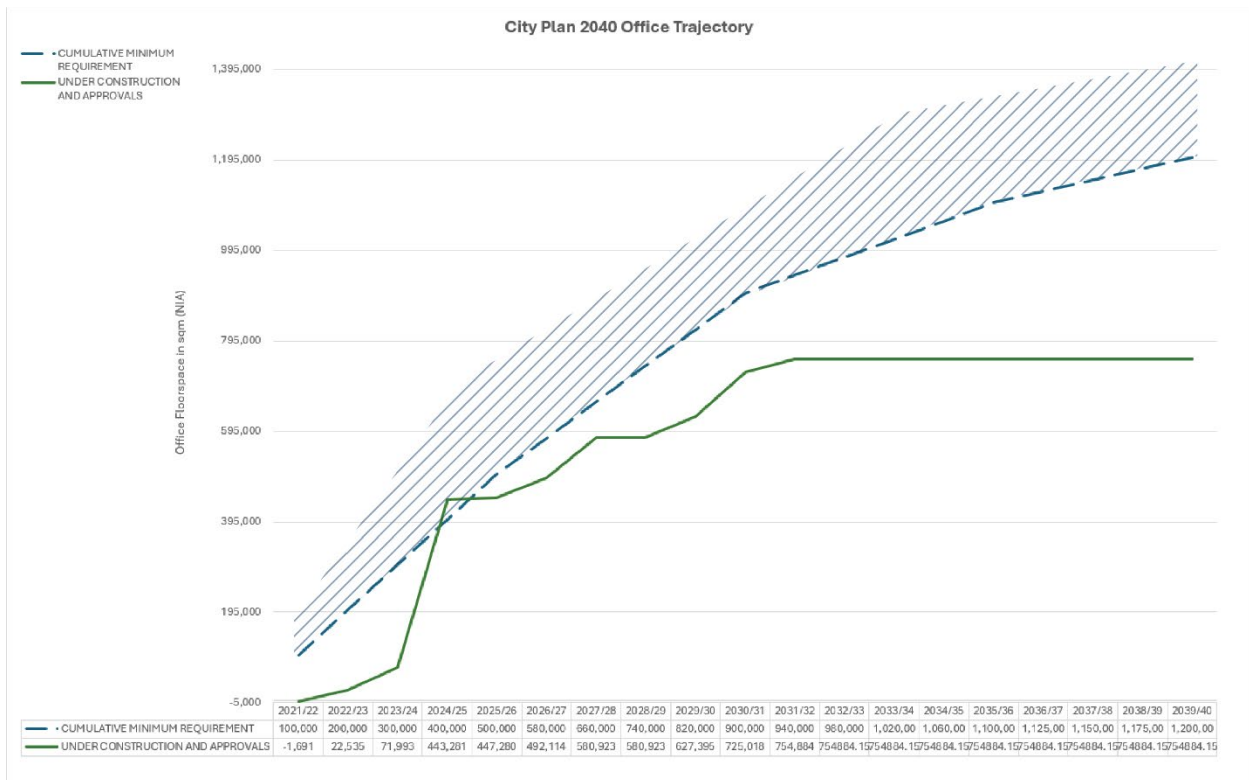


Figure 3 Office floorspace trajectory showing the cumulative minimum requirement and cumulative floorspace that is under construction and approved

## 1.6 Capacity modelling

23. To understand how the required floorspace could be delivered up to 2040, capacity modelling was undertaken in 2023. The results of this exercise are set out in the Office Topic Paper (ED-OFF2), which found an overall capacity of between 1,325,000sqm and 1,474,000sqm in the City up to 2040.
24. In 2024 the capacity extrusions were further assessed using GIS tools, which ensured a more accurate representation of building footprints than the initial capacity modelling exercise, resulting in a minor variance between the capacity modelling figures for certain sites between 2023 and 2024. The capacity modelling has also been updated to reflect recent permissions.
25. To conduct this analysis, several factors were explored; pipeline of potential office floorspace in the proposed cluster areas; historic trends of office floorspace delivery outside of the proposed tall building clusters and potential capacity of the tall building clusters.
26. To explore the potential capacity of the proposed tall building clusters a combination of GIS (Geographic Information Systems) and 3D technology was used to assess sites within the

cluster areas in the context of the proposed heights which could be acceptable under the tall building policy, as prescribed to each area.

27. The capacity modelling assessed the status of sites and deemed them suitable to include or not. For the two cluster areas, the capacity modelling considers:

- Sites under construction
- Sites permitted but not yet constructed
- Sites with permission
- Sites at pre-application stage
- Extrusions of capacity on other sites, informed by the contour heights and other factors

28. Not all sites have necessarily been included in the capacity work, particularly those at pre-application stage or sites with no pre-application or application interest. For these, a degree of professional judgement has been made as to whether any individual site might be likely to come forward for development and could have potential to deliver an uplift in office floorspace capacity. The status of the sites assessed is up to date at the time this explanatory note is published. Each site in the clusters was numbered and individually evaluated to ensure that no double counting occurred. Nuancing was applied to the potential uplift figures to take the figures from a Gross Internal Area figure to Net Internal Area by removing 15-30%.<sup>5 6</sup>

29. The revised capacity modelling results in a total capacity of 1.3 – 1.5 million sqm. This is broadly in line with the capacity modelling undertaken in 2023.

*Table 1: Amount of potential uplift of office floorspace in each of the tall building cluster areas, as well as the rest of the City, by 2040*

Area	Amount of potential uplift in office floorspace (m <sup>2</sup> )
<b>City cluster</b>	690,000 – 840,000
<b>Fleet valley</b>	26,000 – 31,000
<b>Rest of city</b>	148,000

\*\* ranges have been provided to consider different assumptions utilised for the statistical modelling. This includes variations in the core sizes and the amount of office space in the building.

## 1.7 Marketing evidence

30. Respondents did not agree with the requirement for 12 months of marketing. Concerns were raised that the requirement did not foster dynamic economic growth and that leaving buildings vacant for 12 months was an ineffective way to measure demand. Respondents

<sup>5</sup> Deloitte. OPDC Business Case Options: Key Assumptions. [attachment 6.3 - development appraisal methodology.pdf \(london.gov.uk\)](#). Accessed 21 August 2024.

<sup>6</sup> Drivers Jonas Deloitte. Employment Densities Guide. [Employment Densities Guide \(publishing.service.gov.uk\)](#). Accessed 21 August 2024.

claimed that flexibility should be applied in the consideration of marketing evidence which could be supplemented by a detailed office condition survey/market overview.

31. In order to effectively evaluate proposals that result in a loss of office, the City of London requests marketing and viability evidence. City Plan 2040 outlines that robust evidence of the marketing of the building or site for continued office use over a period of at least 12 months will need to be demonstrated to comply with part 1 of the policy. The City Corporation will need to be satisfied that the site/building has been offered at a realistic price commensurate with the value of the site/building for office use and that active promotion has been undertaken by the agents marketing the site over the period.
32. The requirement for 12 months of marketing evidence for surplus office space is included in the London Plan in the supporting text for Policy E1 Offices. The London Plan does allow for Development Plans to require a greater amount of time.
33. In evaluating a change of use application, the adopted Local Plan and the Office Use SPD require evidence of viability and marketing to understand the impact of loss of office as they do two different things. Viability evidence can demonstrate whether such office use is not viable in the long-term.
34. Robust evidence of the marketing of the building or site for continued office use over a period of at least 12 months would need to be demonstrated to comply with part 1 of the policy. The City Corporation would need to be satisfied that the site/building has been offered at a realistic price commensurate with the value of the site/building for office use and that active promotion has been undertaken by the agents marketing the site over the period.
35. While some comments have suggested amendments to the policy language to enable evidence of lack of interest from the investment market, that is not the intention of the policy. The policy is intended to understand the demand from the office leasing market. Marketing evidence provided, at market rates suitable for the type, use and size for at least 12 months, demonstrates the level of demand for the site as an office use. This approach is standard practice for many local planning authorities, for example, the London Borough of Lambeth requires at least 2 years of marketing evidence for offices and the London Borough of Camden requires evidence of marketing over two years for the loss of employment uses.

## 1.8 Affordable workspace

36. Some representations queried the affordable workspace evidence related to the Plan. To date, affordable workspace has been provided on a range of schemes in 17 development sites in the past eight years over a range of types of sites.

37. As and when the Office Use SPD is updated, the City Corporation will provide further information on the types and details of affordable workspace.

## 1.9 Office Use SPD

38. Respondents claimed that reference to the Office Use SPD in the supporting text is outdated and should be removed or updated. The Office Use SPD will be updated in due course to be aligned with the NPPF, London Plan and new policies of the City Plan 2040. The section on the marketing and viability requirements will be reviewed and updated accordingly.