City Property Association

Appendix 3 – Further Matter Statement – Main Matter 4 (Offices) (Policies S4 and OF1 to OF3)

The CPA sets out below responses to questions set out in the Inspector's Issues and Questions in respect of Main Matter 4 (Offices) (Policies S4 and OF1 to OF3)

Inspector's Issue/Question: Do the strategy and policies relating to the provision of offices make adequate provision to meet the City's needs for the whole plan period (15 Years)?

As set out within the CPA's Regulation 19 representations (June 2024), the CPA consider that Policy S4 should plan for a target of 1.9 million sqm (20 million sq ft) net additional office floorspace by 2042, as identified in the 'Return of In-Person' scenario' in the 'Future of Office Use' (July 2023) prepared by Knight Frank/Arup ('the KF/Arup report') and the Offices Topic Paper (March 2024), both of which form part of the evidence base. The 'Hybrid Peak' scenario forecasts a need for 1.2 million sqm (13 million sq ft) net additional office floorspace.

Whilst the CPA welcomes the proposed changes made to supporting paragraphs 5.1.1 and 5.1.2 in respect of re-enforcing that the 1.2 million sqm target in Policy S4 is a minimum requirement, the CPA considers that draft policy S4 needs to be more ambitious to provide the policy framework needed to deliver the City's office needs for the plan period. **Policy S4 (Part 1) should be amended to plan for the evidenced need of 1.9 million sqm net additional office floorspace**.

As per our response in respect of Main Matter 2 (Spatial Strategy), a higher growth scenario must be able to be accounted for within the development management policies in the plan that relate to design and heritage, so that there is sufficient flexibility in terms of physical capacity to meet demand.

The CPA's Regulation 19 representations provided additional evidence to support the CPA's assertion that the target within Policy S4 should be 1.9 million sqm net additional. We have sought to provide an update to this evidence to further support the 'Return of In-Person' scenario/ 1.9 million sqm net additional target. This is detailed as follows:

1. ***Office Attendance***

The 'Return of In-Person' scenario is based on employee attendance rates returning to 80% of 2019 levels for almost all types of office jobs. The 'Hybrid Peak' scenario is based on employee attendance levels stabilising at 2.5 days/week (65% of 2019 levels) and the 'New Diverse City' is based on attendance levels at 2 days/week (50% of 2019 levels). One could thereby assume that 2019 levels equate to 4 days/week and 80% would equate to circa 3.2 days/week.

Rail Tap Data

The previous CPA representations included TfL rail tap data for City of London stations (Figures A and B) which captured rail taps up until the middle of 2024. Data is now available to date, which we set out below in Figures C and D below. We have provided data showing rail taps during weekdays, as well as on Thursdays (as per the data presented in the Regulation 19 CPA representations).

The KF/Arup report stated that TfL ridership data could be used as a proxy to understand office attendance and Figure 29 presented data from the last week of January 202 (pre-Covid) and the last week of April 2023. In the data below, we have included 2022 as a comparison to show the attendance landscape and how dramatically rail taps within the City of London have increased since then.

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Figure C: Rail Taps, City of London Stations (Weekdays): 2019, 2022, 2023, 2024 and 2025 (YTD). (Source: Transport for London)

The 2019 data (green) shows that rail taps were around 4-4.5 million/week. 80% of this would be circa 3.2-3.6 million/week. The 2022 data (red) shows rail taps from circa 1.3-3.2 million/week. The 2023 data (blue) shows rail taps from circa 2.7-3.2 million/week. The figures for 2024 (purple) show rail taps between circa 3.1-3.4 million rail taps (circa 75% of 2019 levels). The figures to date for 2025 (orange) show a continuing trend of increasing rail taps – at circa 3.2 million/ week. It is clear that year-on-year since 2022 the number of rail taps is steadily increasing.

Figure D: Rail Taps, City of London Stations (Thursdays): 2019, 2022, 2023, 2024 and 2025 (YTD). (Source: Transport for London)

When considering the rail tap data just for Thursdays, the data indicates that levels of attendance are also returning to around 80% of the 2019 baseline.

In respect of how these trends relate numerically to the rail taps in 2019, Tables 1-3 below provide an analysis of the rail taps by year and the % ratio compared to 2019 levels. We have provided this on a weekday basis (Table 1), for Thursdays (Table 2) and also for Wednesdays (Table 3). We have selected as a sample weeks 2, 5 and 9 (9 being the latest data available for 2025). It can be seen that the 2025 data shows that patterns are achieving roughly 80% of 2019 levels, whereas in 2022 this was much lower (maximum 59%). If rail tap data can be used as a proxy for office attendance, these statistics demonstrate that attendance has increased steadily and 2025 has to date continued this upward trend.

Weekdays (all)									
Year	**Week**	**Rail taps**	**% of 2019 levels**	**Week**	**Rail taps**	**% of 2019 levels**	**Week**	**Rail taps**	**% of 2019 levels**
2019	2	3,967,534	100%	5	4,188,040	100%	9	4,218,122	100%
2022	2	1,019,171	26%	5	1,739,539	42%	9	2,356,500	56%
2023	2	2,751,470	69%	5	2,487,799	59%	9	2,872,499	68%
2024	2	2,650,024	67%	5	2,944,887	70%	9	3,142,051	74%
2025	2	2,829,826	71%	5	3,309,314	79%	9	3,362,746	80%

Table 1: Rail Taps Analysis, City of London Stations (Weekdays): 2019, 2022, 2023, 2024 and 2025 (YTD). (Source: Transport for London)

Thursdays									
Year	**Week**	**Rail taps**	**% of 2019 levels**	**Week**	**Rail taps**	**% of 2019 levels**	**Week**	**Rail taps**	**% of 2019 levels**
2019	2	830,793	100%	5	4,188,040	100%	9	4,218,122	100%
2022	2	243,666	29%	5	390,435	9%	9	551,311	13%
2023	2	674,580	81%	5	2,487,799	59%	9	2,872,499	68%
2024	2	633,979	76%	5	2,944,887	70%	9	3,142,051	74%
2025	2	655,310	79%	5	3,309,314	79%	9	3,362,746	80%

Table 2: Rail Taps Analysis, City of London Stations (Thursdays): 2019, 2022, 2023, 2024 and 2025 (YTD). (Source: Transport for London)

Wednesdays									
Year	**Week**	**Rail taps**	**% of 2019 levels**	**Week**	**Rail taps**	**% of 2019 levels**	**Week**	**Rail taps**	**% of 2019 levels**
2019	2	810,868	100%	5	857,412	100%	9	869,426	100%
2022	2	221,735	27%	5	364,071	42%	9	517,256	59%
2023	2	600,244	74%	5	410,887	48%	9	631,821	73%
2024	2	594,753	73%	5	681,421	79%	9	687,642	79%
2025	2	630,916	78%	5	732,430	85%	9	742,381	85%

Table 3: Rail Taps Analysis, City of London Stations (Wednesdays): 2019, 2022, 2023, 2024 and 2025 (YTD). (Source: Transport for London)

The data above demonstrates that the rail taps for the early part of 2025 are generally higher than those at comparison points in 2024, 2023 and 2022, indicating a continuing trend upwards, with rail trips returning to 80% of 2019 levels (and in some instances higher). If current trends continue, it is expected that levels above 80% will be achieved in the near future. This substantiates not only an increase in the working population of

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the Square Mile but also increasing regular attendance in the office and certainty beyond the 'Hybrid Peak' scenario.

Volume of Workers

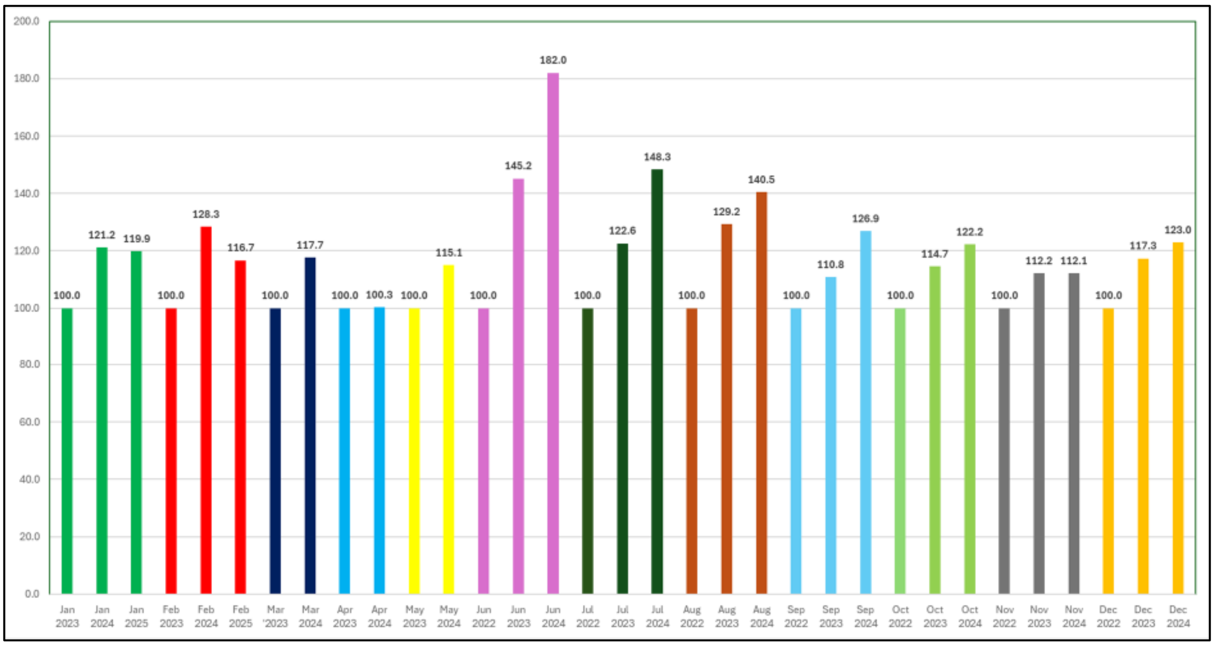

Figure E: Index of monthly change in volume workers in the City of London for 9am to 12am 2022-2025, where the earliest month recorded equals 100 (seven day moving average). (Source: GLA High Street Data, City Property Association Analysis)

Figure E details an index-based change in the number of workers in the City of London as recorded by mobile phone operators (each year is compared by different colours). The data set's first complete month was June 2022 and the last available at the time of the analysis February 2025. As can be seen, in all cases, the latest data values are materially higher than compared to 2022 values (where they exist).

Furthermore, in nine out of twelve cases, the latest data point index value for a given month is greater compared to all corresponding earlier data point values for the monthly series in question. In the case of the tenth data set (November 2024), the difference with November 2022 is marginal; 112.1 vs 112.2. In nine out of twelve cases the increases recorded are very significant. This clearly shows that there is an increasing trend of returning to work, and certainly not in line with the 'Hybrid Peak' assumptions of office attending stabilising at 2.5 days/week.

Leadenhall Building Attendance

We have analysed building occupancy data from the Leadenhall Building (122 Leadenhall Street), a significant office development within the City of London. As can be seen in Figure F, mid-week occupancy levels for the building generally were between 60%-80% (when considered against total building population), aside from in December which reflects seasonal holidays. This data provides a snapshot into how occupiers are utilising office space.

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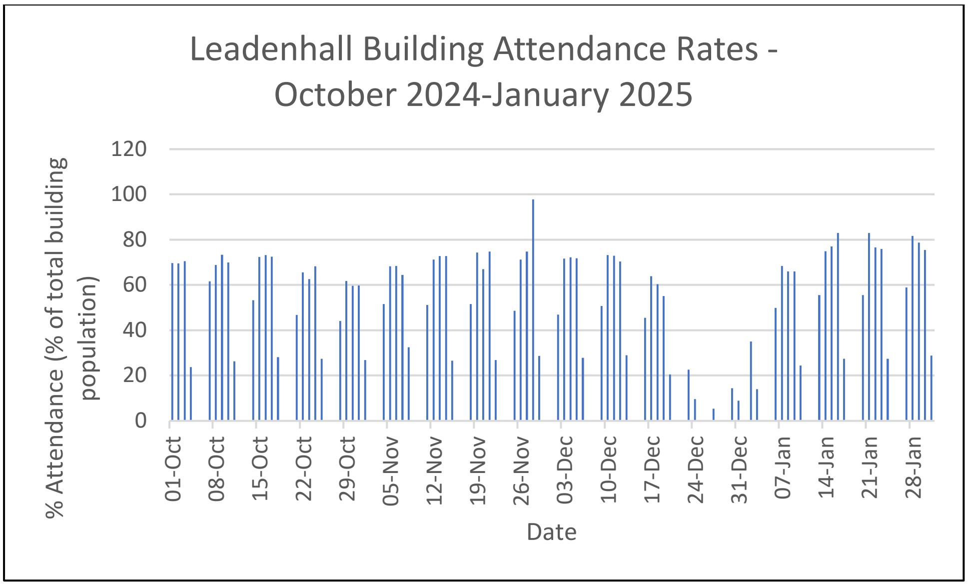

Figure F: Leadenhall Building Attendance Rates October 2024-January 2025. (Source: The Leadenhall Building)

Office Attendance – Conclusions

The 'Return of In-Person' scenario and the 'Hybrid Peak' scenarios both assume the same number of additional jobs by 2042 however as noted above the 'Return of In-Person' scenario assumes a higher attendance rate in the office. The CPA believe that current trends and evidence support the assertion that the office market within the City of London is moving towards greater in-person attendance, which supports the 'Return of In-Person' scenario rather than the 'Hybrid Peak'. It is clear that office attendance is not stabilising at 2.5 days/week, as per the 'Hybrid Peak' scenario.

2. Office Demand

Rental Growth

Data shows that average rental growth within the prime city market for non-tower office buildings are set to increase, as shown in Figure G. The agency data (provided by JLL) compares current (2024) forecasts with forecasts made in 2022 and it can be seen that rents are forecast to rise much higher than was forecast in 2022. For example, in Q4 2026 non-tower prime building rents are forecast to rise to £97.50/sq ft whereas in 2022 this forecast was £82.50/sq ft. This demonstrates that the demand for offices in the short-medium term is set to increase for prime city offices higher than was anticipated in 2022. It should be noted that whilst the KF/Arup report did not necessarily include forecasted rents, it was prepared in July 2023 and considered 2022 office stock.

We are beginning to see a much sharper rise in rents following a flatline for 2015-2022, with rents beginning to move upwards in 2023. Rising rents are indicative of increasing higher demand, which indicates a strong office market and demand for office floorspace.

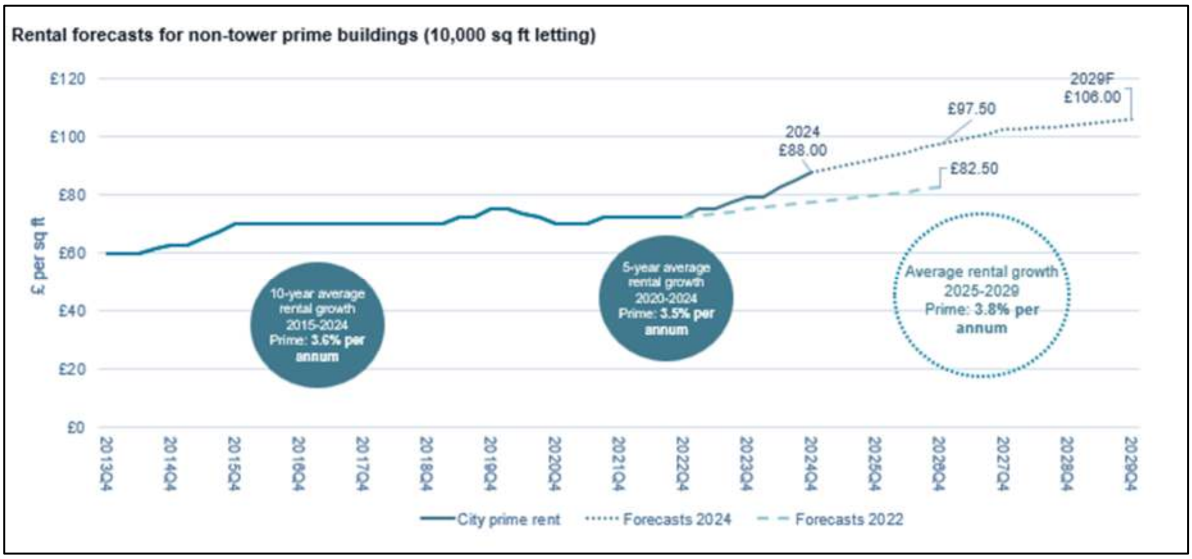

Figure G: Prime City rental forecasts (office buildings). (Source: JLL, 2024)

Vacancy Rates

Similar to rents, the vacancy rates for the city are forecast to begin to fall in the short-medium term, as shown on Figure H below (note that this graph is for the wider city area, not just within the boundary of the City of London). This further demonstrates that demand for space is increasing and it is important to note that the peak of vacancy was in 2022/2023 after which rates are forecast to fall sharply.

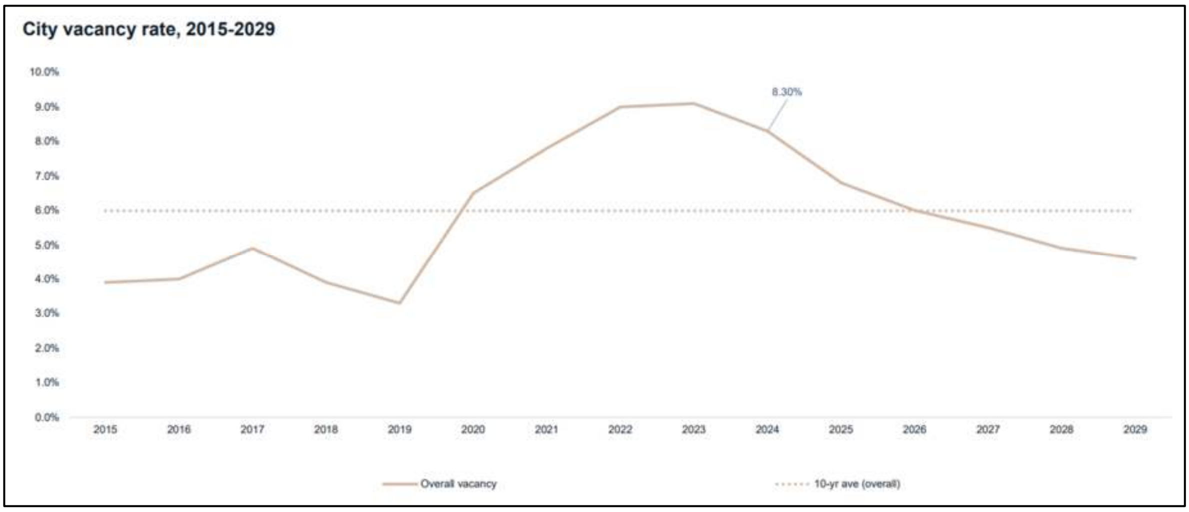

Figure H: Vacancy rate forecast, City vacancy rate 2015-2029. (Source: JLL, 2024)

Research from RX London has revealed the occupiers in central London are taking significantly more office space, moving away from the work from home trend. Analysing new leasing deals over 15,000 sq ft across 2023-2024 in the City, the West End and Canary Wharf, the findings highlight a clear shift towards occupiers taking larger office footprints. Key trends from the data show that 83% of occupiers have upsized, increasing their footprint by an average of +112%. When considering the data just for the City market, 80% of those companies surveyed have expanded their footprint across 2023-2024.

These figures suggest that, despite economic uncertainty and evolving workplace strategies, many businesses remain committed to returning to the office as they secure larger office spaces in prime London locations. The

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demand shift underscores the importance of high-quality, well-located office environments that support collaboration, talent attraction, and long-term business growth.

Office Space Market Requirements

Notwithstanding job projections, both the ‘Hybrid Peak’ and the ‘Return of In-Person’ scenarios both plan for an additional 60,000 FTE jobs. The ‘Return of In-Person’ assumes a higher attendance rate, which we consider the data supports. However, we consider that attendance is not the only determining factor between the two scenarios. Greater attendance will result in a need for office spaces to provide better amenity and supporting facilities to support a return to the office. This includes facilities such as break-out spaces, entertaining and wellbeing spaces etc.

Office Demand – Conclusions

The evidence presented above points towards increased office demand within the City of London.

The CPA remain of the view that the strategy and policies relating to the provision of offices does not reflect current trends, forecasts and growth for the City’s office needs for the whole plan period (15 years). The City Plan should reflect the higher target of 1.9 million sqm net additional office floorspace.

Inspector’s Issue/Question: Are the policies relating to offices justified by appropriate available evidence, having regard to national guidance and local context; and are they in ‘general conformity’ with the LP?

CPA Response:

We set out above further considerations in respect of evidence.

In respect of national context, we note that the consultation on the Government’s Industrial Strategy (2035) reiterated the Government’s assertion that growth is the Government’s number one mission. Financial services and professional and business services are listed as two of the eight growth driving sectors.

At a regional level, the Mayor’s London Growth Plan reflects the Government’s agenda with an ambition to realise London’s full economic potential and increase productivity. Financial, professional and business services are listed as one of four ‘global city’ sectors and the Plan states that London’s city centre (particularly the Square Mile, West End and Canary Wharf) is *“globally important for these sectors and must continue to be”*. This includes by *“continuing to build and retrofit commercial offices of the highest standards”*. The Plan notes that London’s city centre is 11% of the entire UK economy and *“vital to achieving the national and London growth missions”*.

Whilst neither of these documents form planning policy, we consider that they are important to set the wider local context and re-emphasise the role of the City in supporting the country’s economic growth. It is crucial that planning policies are sufficiently ambitious to enable this.

We acknowledge that the Local Plan will be assessed against the 2023 NPPF rather than the 2024 NPPF. Notwithstanding this, we consider it important to draw attention to the amendment within the 2024 NPPF at para 86 which states that planning policies should *“pay particular regard to facilitating development to meet the needs of a modern economy…”*. It is imperative that the City’s Local Plan is ambitious to align with current national and Mayoral growth objectives.

Added to this context we note our Good Growth in Central London report (LPA, 2024) which considered three growth scenarios in the CAZ to 2045 and the resulting implications. The ‘balanced growth’ scenario supported by flexible planning and growth policies, investment in local infrastructure and business support could lead to substantially more jobs, GVA, homes, CIL and S106 receipts when compared with the ‘business as usual’ and 'checks on growth' scenarios which assumed a lower rate of development. Whilst this report was not sector nor borough specific, it reinforces the importance of enabling good growth within the CAZ to support wider strategic objectives for the capital and for the whole country.

Inspector's Issue/Question: Are the policies relating to offices positively prepared 'in a way that is aspirational but deliverable'?

CPA Response: No additional comments.

Inspector's Issue/Question: Are the policies clearly defined and unambiguous so that it is evident how a decision maker should react to development proposals?

CPA Response: No additional comments.

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