

Volterra progress update

Local Plan Review – Economic Evidence

28/02/2023

The logo for Volterra, featuring a stylized blue circular graphic on the left and the word "Volterra" in white text on a dark blue rectangular background.

Volterra

Presentation structure

1. **Tower Hamlets economic context**

- What are the key trends for Tower Hamlets?
- How has the borough grown historically?

2. **Canary Wharf economic context**

- What makes Canary Wharf unique?
- What are the growth trends for Canary Wharf?

3. **Future policy forecasts**

- How much additional growth is forecast in future policy?

4. **Challenges and risks for growth**

- What are the potential risks to future growth for Canary Wharf?

Tower Hamlets today



295,000 jobs

More than 5% of all jobs in London as of 2021¹



182,000 office workers

62% of total employment (compared to 42% across London, 46% in Westminster, 52% in Inner London, and 85% in CoL)



£37bn of economic output

More than 50% greater than the entire output of Leeds and the 3rd largest of all UK local authorities.²

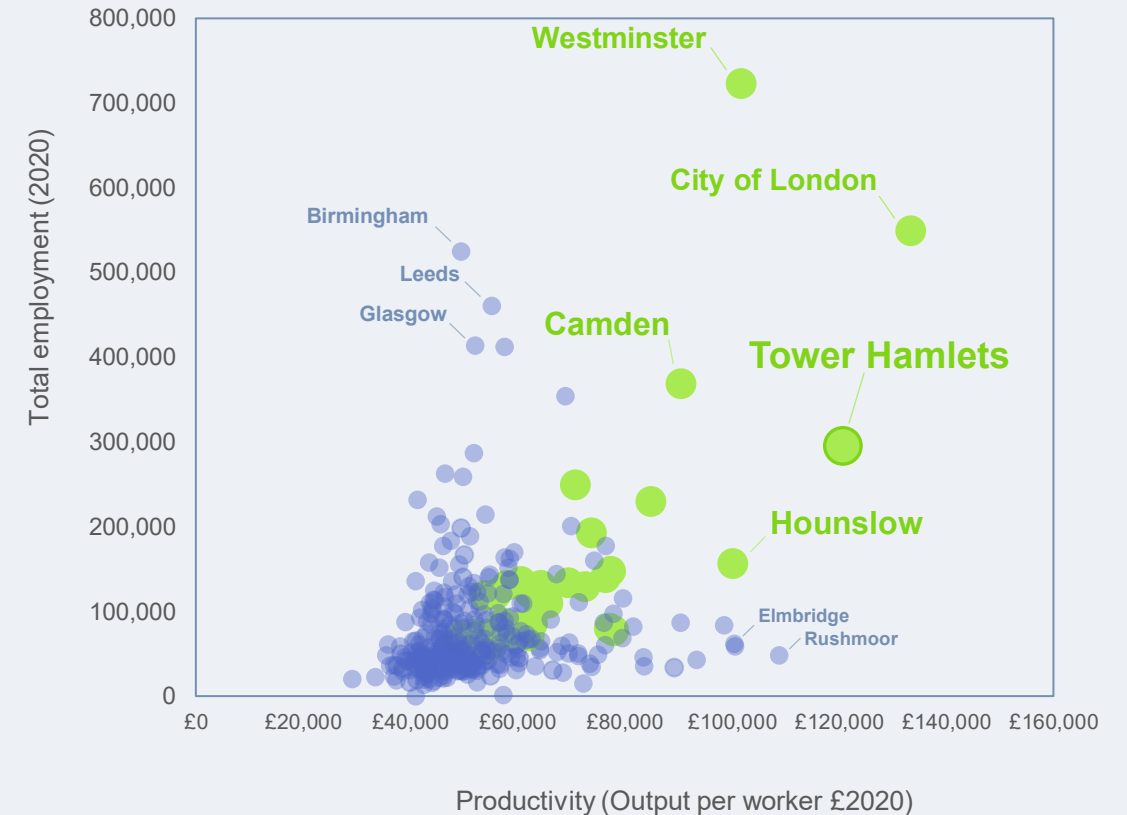


£121,000 output per worker

The 2nd most productive local authority in the UK (behind City of London)²

LBTH is one of the largest and most productive authorities in the UK.

Total employment and output per worker in 2020 by authority in Great Britain



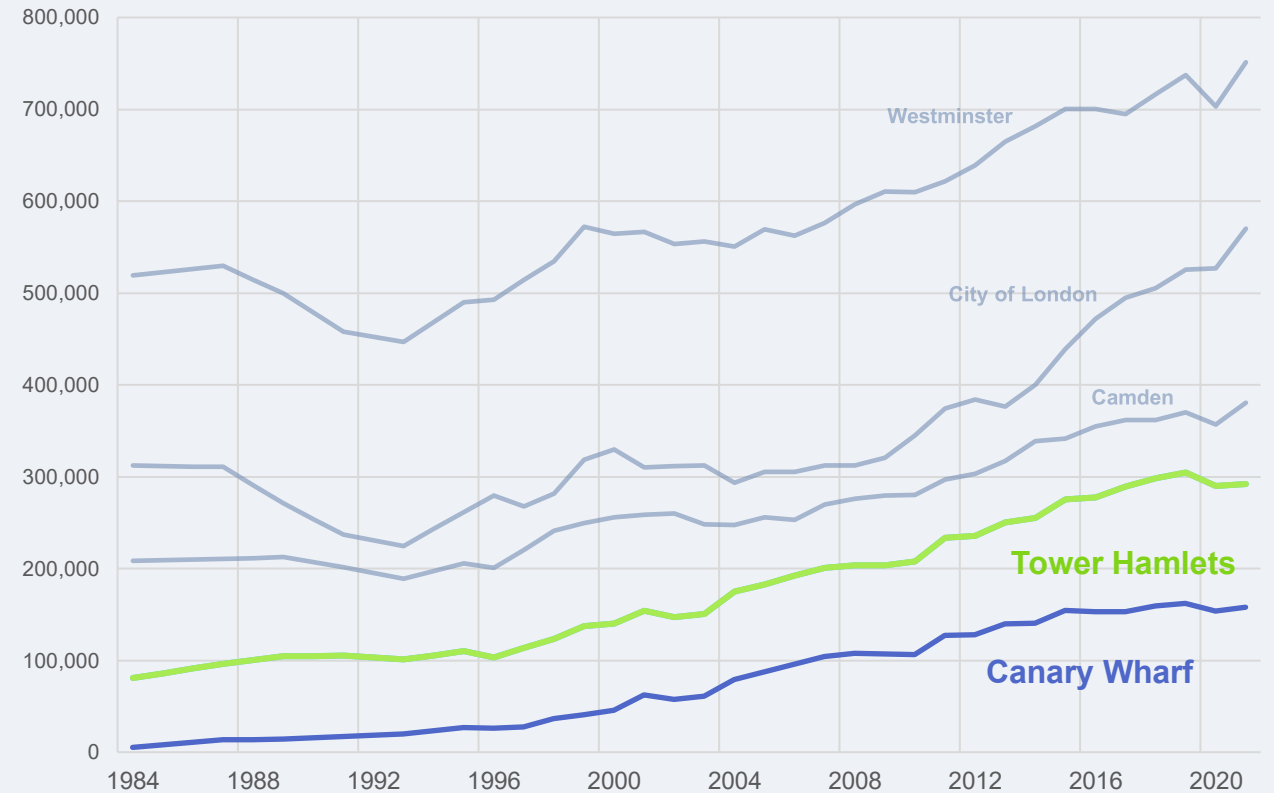
Source: Volterra calculations for 2020 taken from GLA Long-term Labour Market Projections and ONS Subregional Productivity

Tower Hamlets growth

- Tower Hamlets has grown from less than 100,000 workers in 1984 to 295,000 in 2021.¹
- Canary Wharf has accommodated the **vast majority (72%)** of LBTH growth since 1984 (150,000 jobs).
- Since 2015 **employment growth in Tower Hamlets and Canary Wharf has slowed**.
- Canary Wharf has delivered only 22% of Tower Hamlets employment growth since 2015 (3,700 jobs).

Employment in LBTH and CW has grown dramatically over the past 40 years, but growth has tailed off since 2015.

Total employees by borough (and Canary Wharf) since 1984 (logarithmic scale)



Source: Volterra calculations taken from ONS, 2022. Business Register and Employment Survey

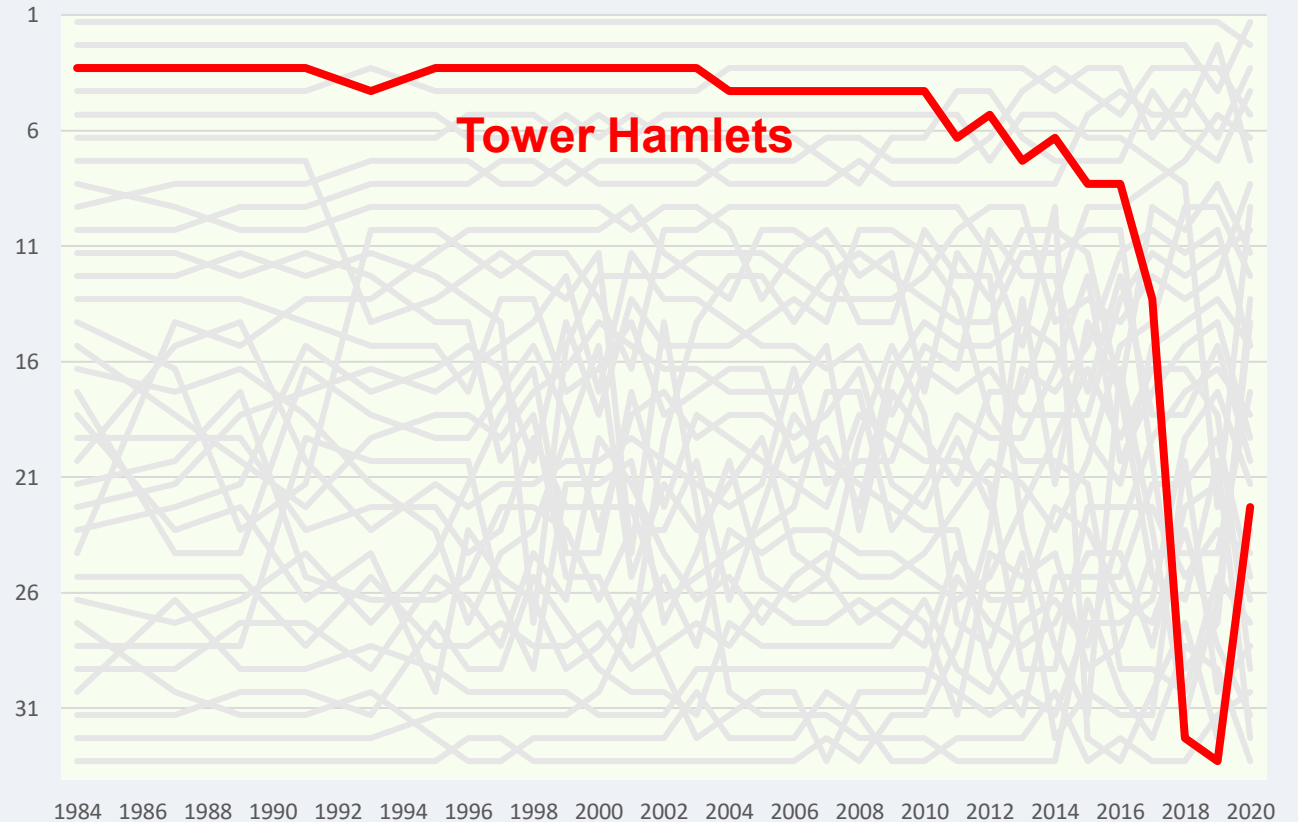
¹ GLA, 2022. Long-term Labour Market Projections
² ONS, 2022. GVA (Balanced Approach) by Local Authority
All figures presented in this slide are for 2020.

Tower Hamlets growth

- Since 1984 **only two boroughs have delivered more new jobs than Tower Hamlets** (Westminster and City of London).
- **No borough has seen a larger rate of growth** (% terms) since 1984.
- Since 2015 **employment growth in Tower Hamlets has slowed**.
- Between 2015 and 2021, Tower Hamlets delivered c.17,000 jobs; the 11th most of any London borough.
- Tower Hamlets saw a **larger reduction in employment during Covid than any other borough**.

Tower Hamlets has seen the 3rd largest increase in employment of any London borough since 2000, but the 2nd lowest since 2018

Rank of absolute growth since X year to 2021 by London borough)



Source: Volterra calculations taken from ONS, 2022. Business Register and Employment Survey

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CANARY WHARF CONTEXT

Canary Wharf today



135,000 jobs

Almost half (46%) of all jobs in Tower Hamlets as of 2021.¹



115,000 office employees

85% of the total CW employment.¹



1.6m sqm of employment floorspace

Approximately 1/3rd of all employment floorspace within LBTH.²



£20bn of economic activity²

Approximately 2/3rds of all economic activity in LBTH and 4% of the entire GVA of London.³

The unique position of Canary Wharf

- Over the last 40 years, Canary Wharf has accounted for much of the employment growth in Tower Hamlets
- Canary Wharf is **dominated by office** space and employment.
- Canary Wharf **floorspace disproportionately serves larger office occupiers**
- Office occupiers in Canary Wharf are **disproportionately within TMT, finance and professional services** sectors.
- Alongside office occupiers, there is evidence of growing demand for supporting retail, cultural, and night-time economy sectors.

¹ Savills, 2023. City Office Market Watch.

² Valuation Office Agency, 2023. 2023 Draft Non-domestic Rating List Entries

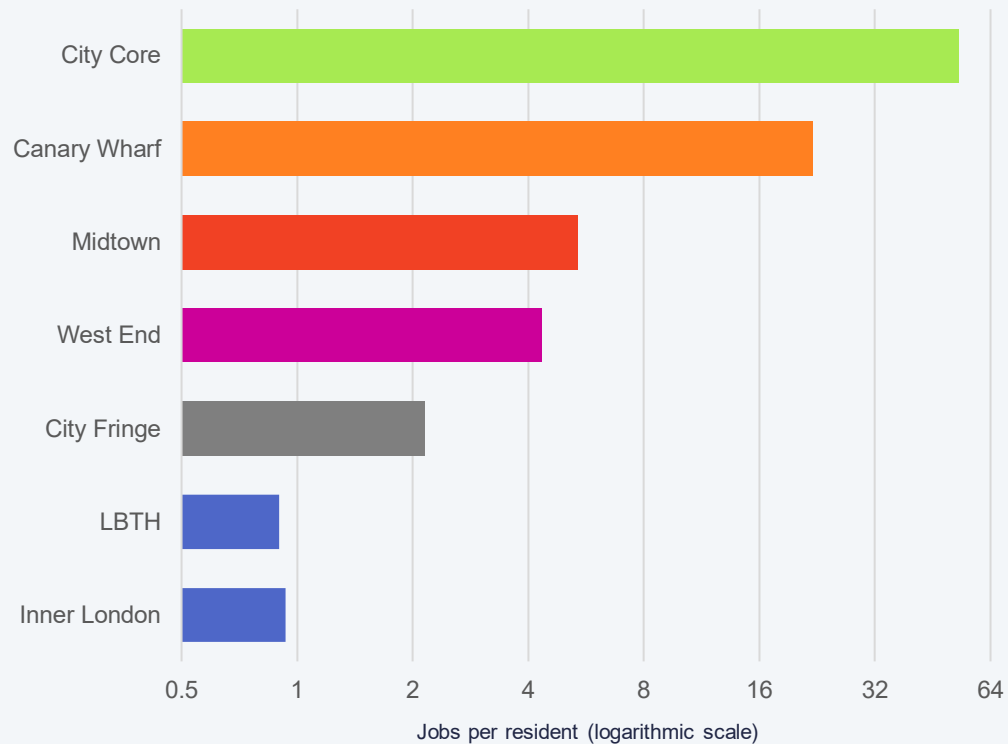
³ S. McCabe, 2022. Reflecting on the 'Miracle' of Canary Wharf and Appreciating the Immensity of Disparities and Economic Inequality in the UK

CANARY WHARF CONTEXT

Canary Wharf is one of the most employment-focused areas in the UK

Even under a wide geographical definition, Canary Wharf contains over twenty times more jobs than residents

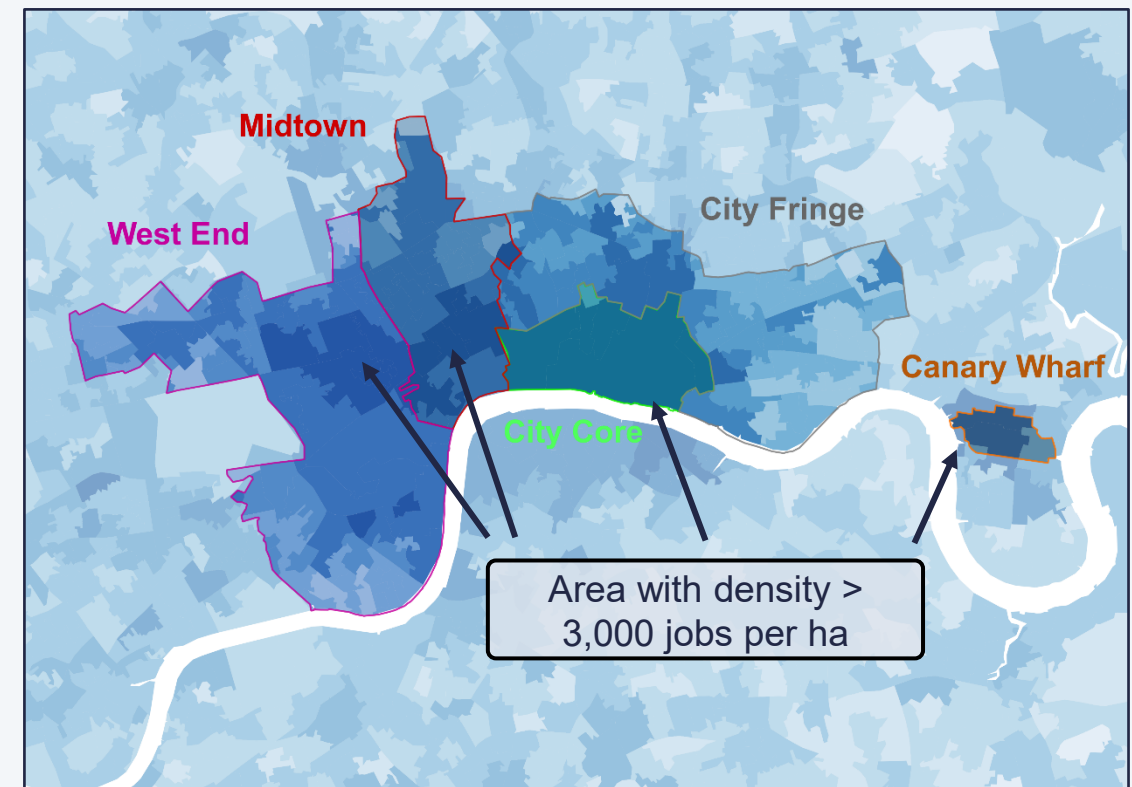
Number of jobs per resident, 2021



Source: VOA, 2023. Draft Non-domestic Rating Summary Valuations.

Outside the City Core submarket, Canary Wharf is one of very few areas of London supporting more than 3,000 jobs per ha

Employment density in Central London by submarket (jobs per ha, 2021)



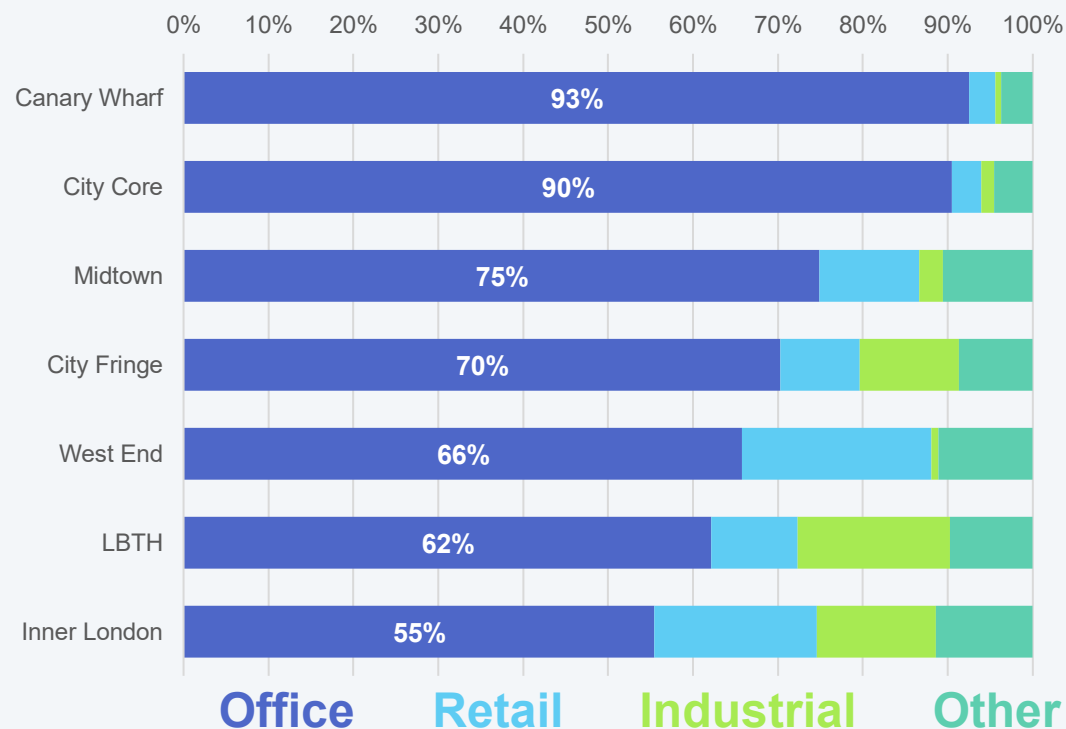
Source: ONS, 2022. Business Register and Employment Survey (2021 data)

CANARY WHARF CONTEXT

Canary Wharf is more dominated by office floorspace than any other submarket

93% of commercial space in Canary Wharf is office space, the most of any submarket

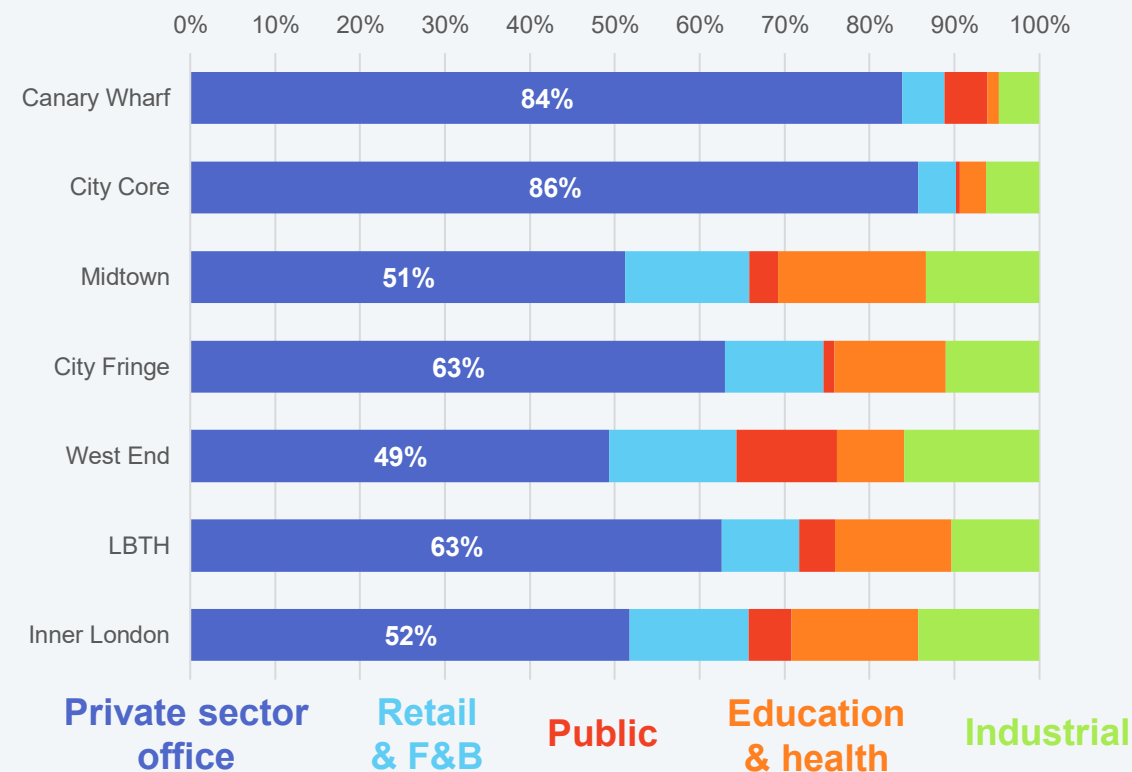
Makeup of floorspace by type across different submarkets (% 2023)



Source: VOA, 2023. Draft Non-domestic Rating Summary Valuations.

Only the City Core submarket supports a similar proportion of employment in private-sector offices as CW (84%)

Makeup of employment by type across different submarkets (% 2021)



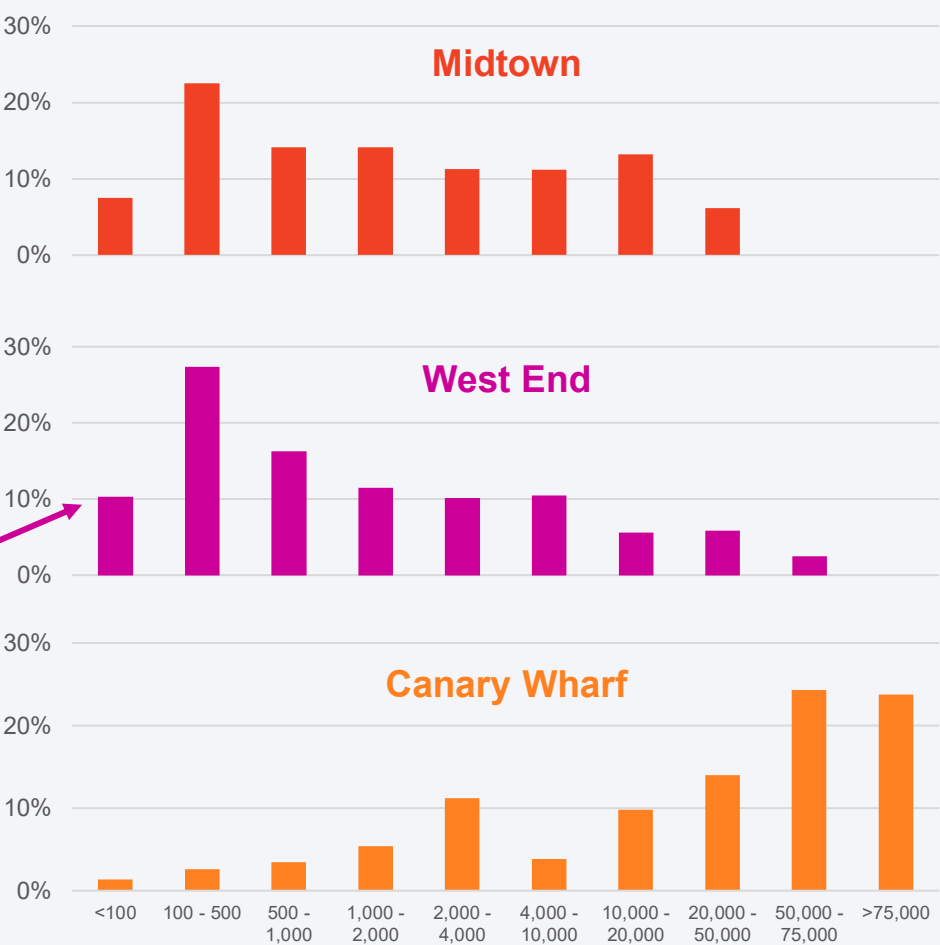
Source: ONS, 2022. Business Register and Employment Survey (2021 data)

CANARY WHARF CONTEXT

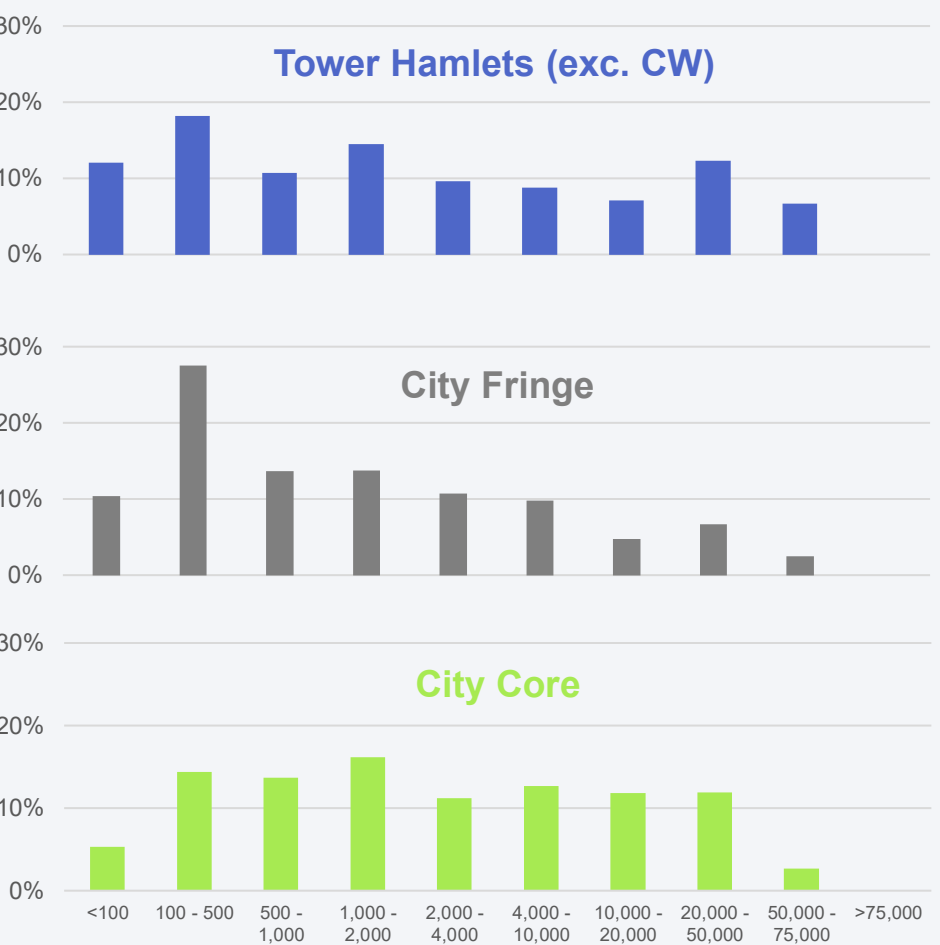
Office space in Canary Wharf disproportionately serves large occupiers

Half of all office floorspace in Canary Wharf is in footprints larger than 50,000m²

Proportion of office space within size bands (m²)



10% of office space in the West End is in footprints smaller than 100m²



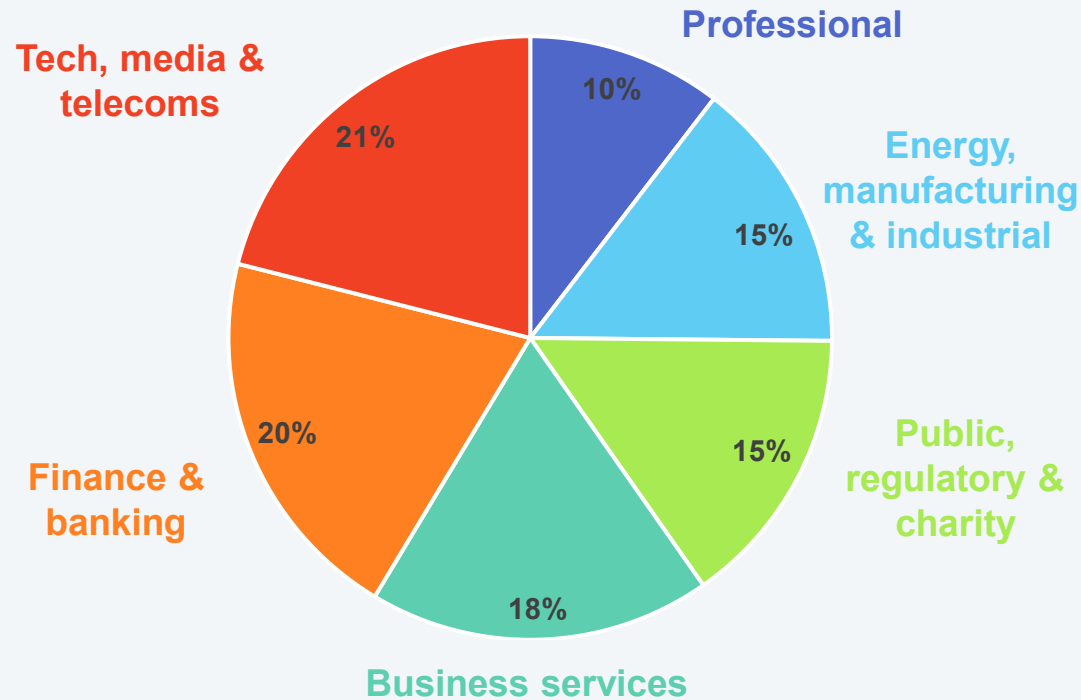
CANARY WHARF CONTEXT

Canary Wharf serves a range of occupier sectors, with large finance & banking firms disproportionately represented

- TMT firms make up 21% of the office occupiers in the CWG estate, but only 13% of employment.
- As of 2021, finance & banking firms make-up the largest proportion of employment in Canary Wharf (48%), although this proportion has fallen in recent years (from 56% in 2015).

CWG office occupiers by sector

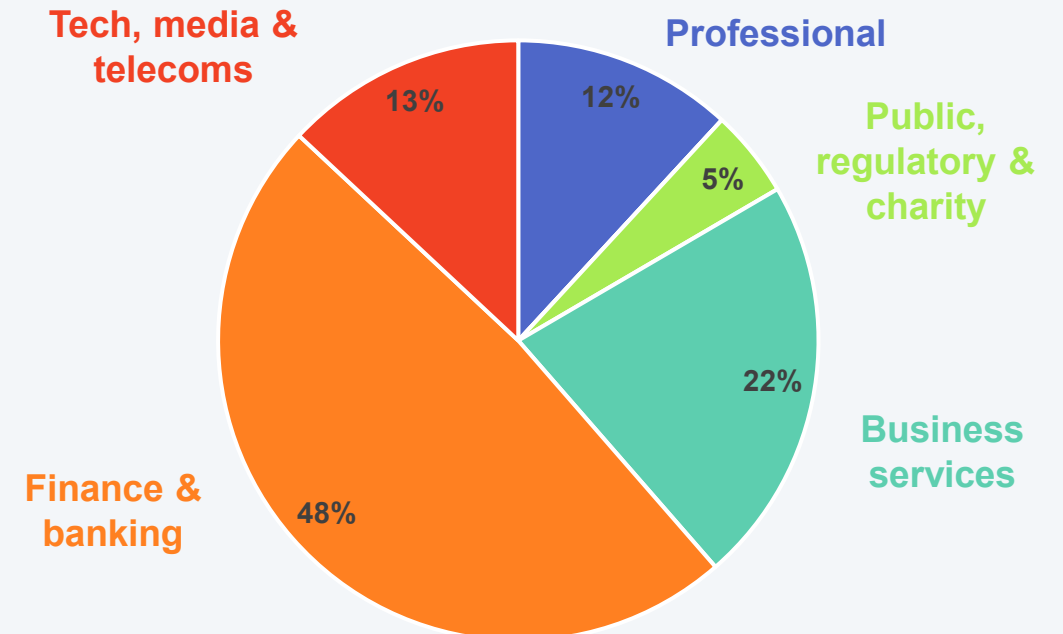
(% of occupiers)



Sourced from internal CWG data.

Canary Wharf employment by sector*

(% of employment)



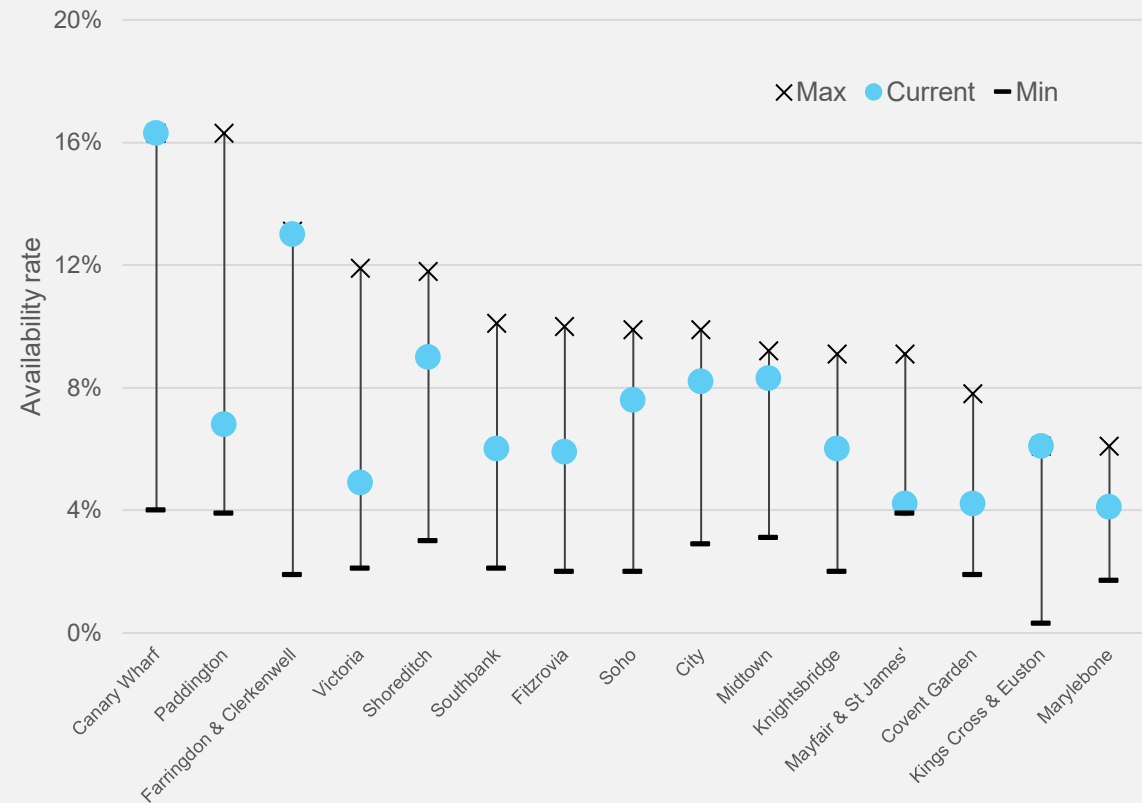
* Employment data not available for energy, manufacturing and industrial office occupiers
Sourced from ONS, 2022. Business Register and Employment Survey

CANARY WHARF CONTEXT

Currently, Canary Wharf faces one of the largest availability rates of all London submarkets

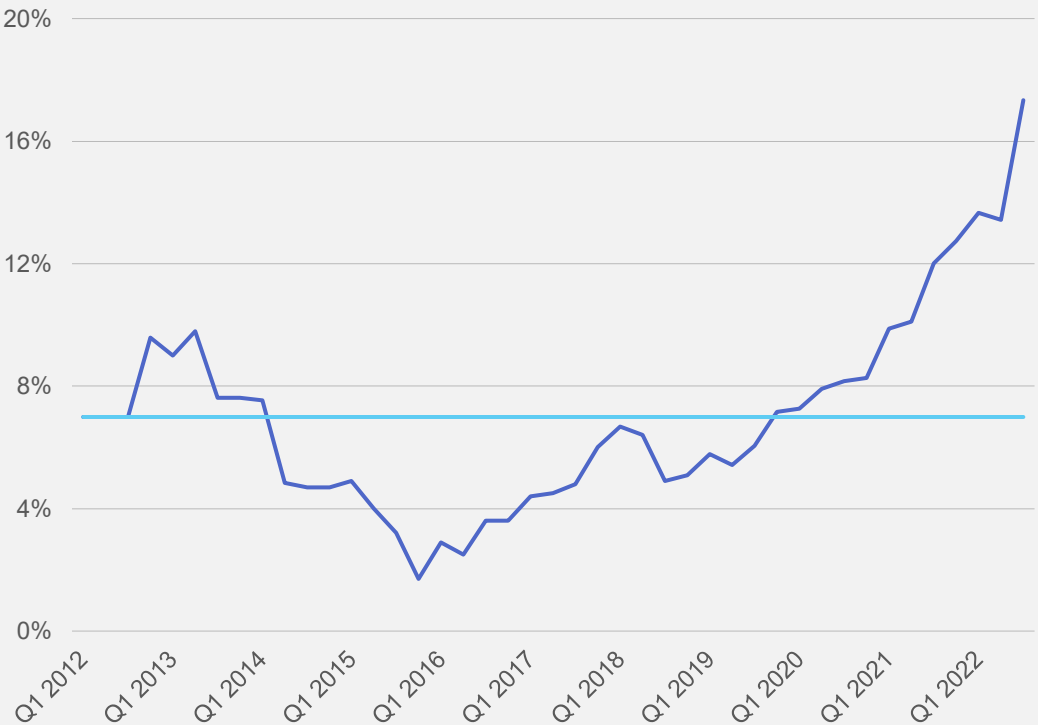
High availability rate – 16% of office units in Canary Wharf compared to 8.2% in the City.¹

Availability rate by submarket (Q1 2012 – Q4 2022)



Vacancy rates within the CWG Estates have risen from 2% in 2016 to 7% before the pandemic and 17% as of Q3 2022

Canary Wharf Group Estate vacancy rate since Q1 2012



Sourced from Gerald Eve, 2023. London Markets: London office property performance and key themes and CWG data.

CANARY WHARF CONTEXT

There is already more than 3.2m ft² of office space available in Canary Wharf, with a further 3.4m ft² of space becoming available by 2026

Canary Wharf available office space, currently available and expiring future leases (sqft)



Sourced from internal CWG data.

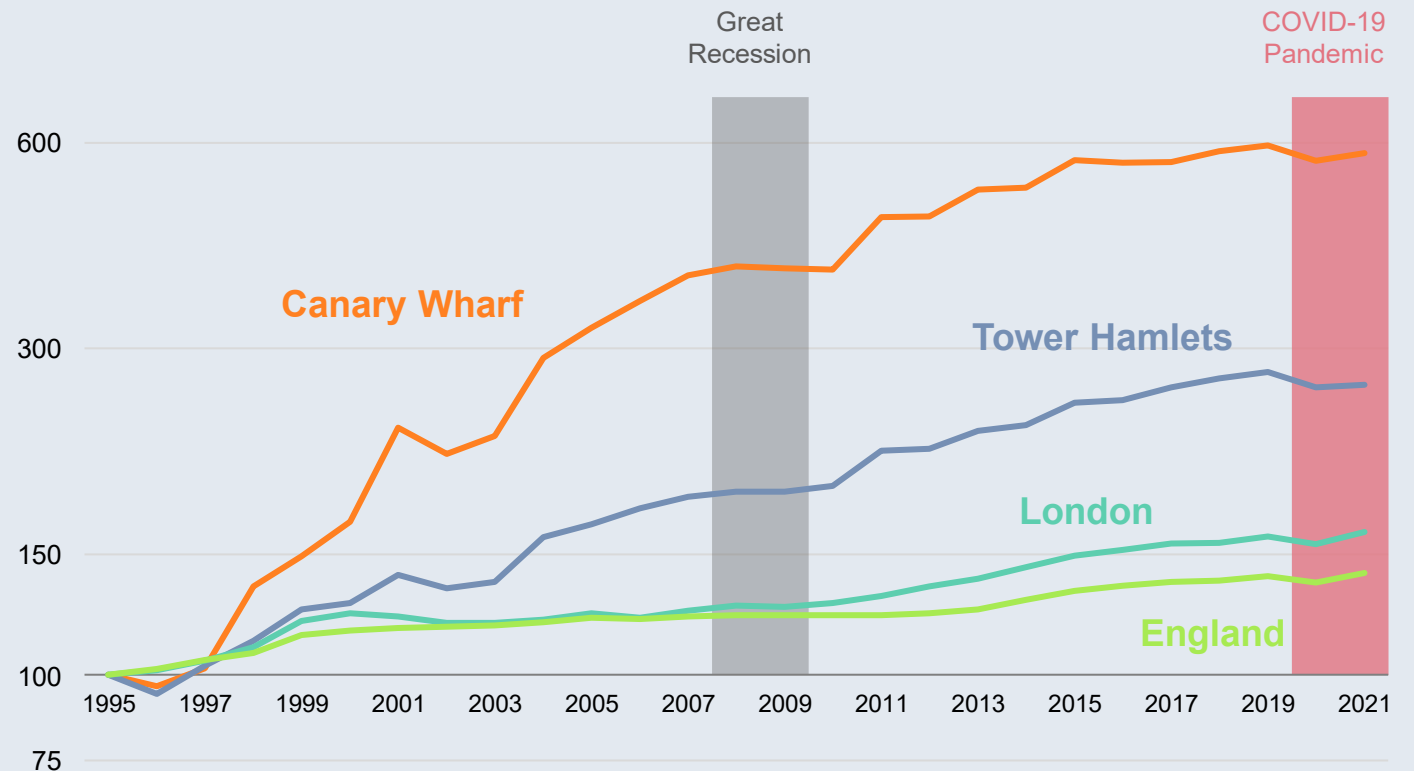
CANARY WHARF CONTEXT

Employment growth in Canary Wharf has slowed down in recent years

Slow down in employment growth:

- Canary Wharf saw rapid growth throughout the 90s and 00s.
- 85% of all the new jobs delivered in Tower Hamlets between 1995 and 2008 were in Canary Wharf.
- Following the 2008 Great Recession, employment resumed its pattern of high growth.
- Since 2015, growth has slowed compared to previous levels.
- Were there events in Canary Wharf around 2015 driving this change?

Indexed employment growth (1995 = 100, logarithmic scale)



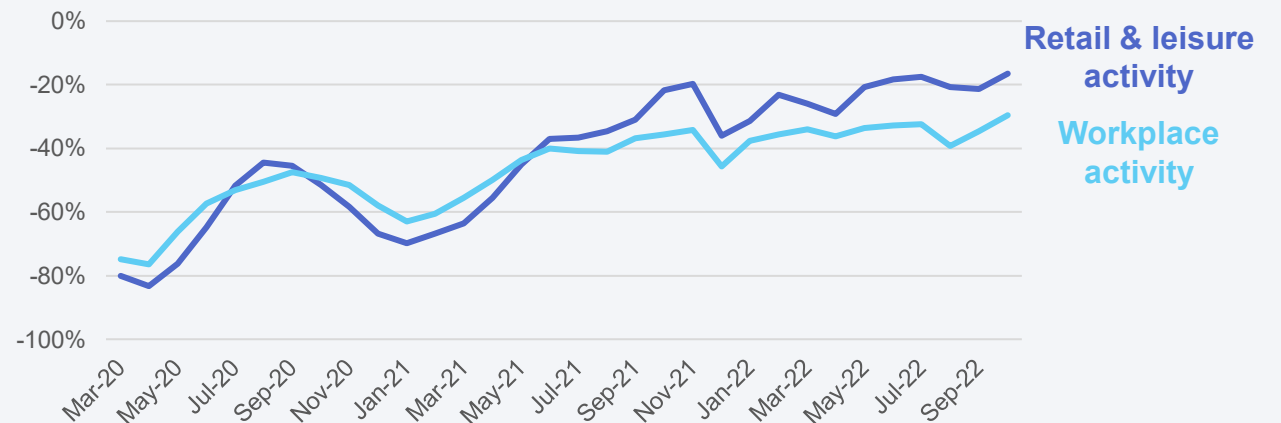
CANARY WHARF CONTEXT

The balance between workers and visitors in Canary Wharf is changing, as demonstrated by an uptick in weekend visiting

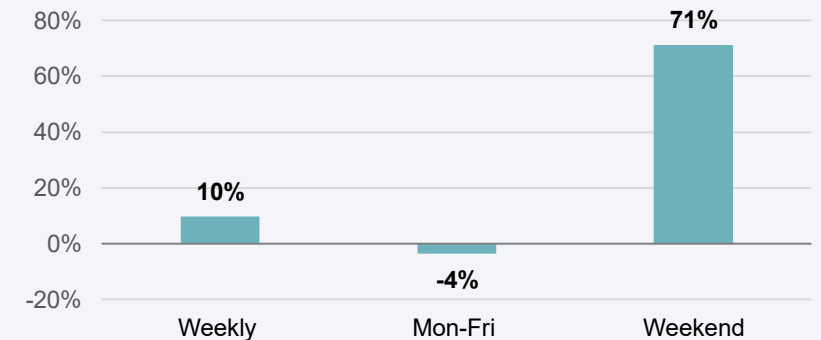
- Google mobility data shows footfall across LBTH (and all London boroughs) remained below the pre-Covid baseline in 2022.¹
- Between 2019 and 2022, Canary Wharf footfall overall increased by 10%.²
- This is driven by a 71% increase in weekend footfall.
- Weekday footfall remains below pre-pandemic levels.

Across LBTH, both retail and workplace activity remains below pre-pandemic levels

Change in Tower Hamlets activity over time compared to pre-pandemic (%)



Change in footfall across Canary Wharf Estate (2019 to 2022 %)



Sourced from GLA, 2022. Google Mobility by Borough and CWG data..

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LOCAL PLAN 2031 CONTEXT

Local Plan 2031 (Adopted 2020)

- Forecasts 125,000 new jobs across the borough 2015-2030 based on 'aspirational' GLA forecasts.
- Equivalent to 8,333 new jobs each year, a rate not achieved since 2015.
- Forecasts 35,716 new office jobs based on Experian forecasts.
- Growth in Tower Hamlets since 2015 has lagged behind both forecasts.

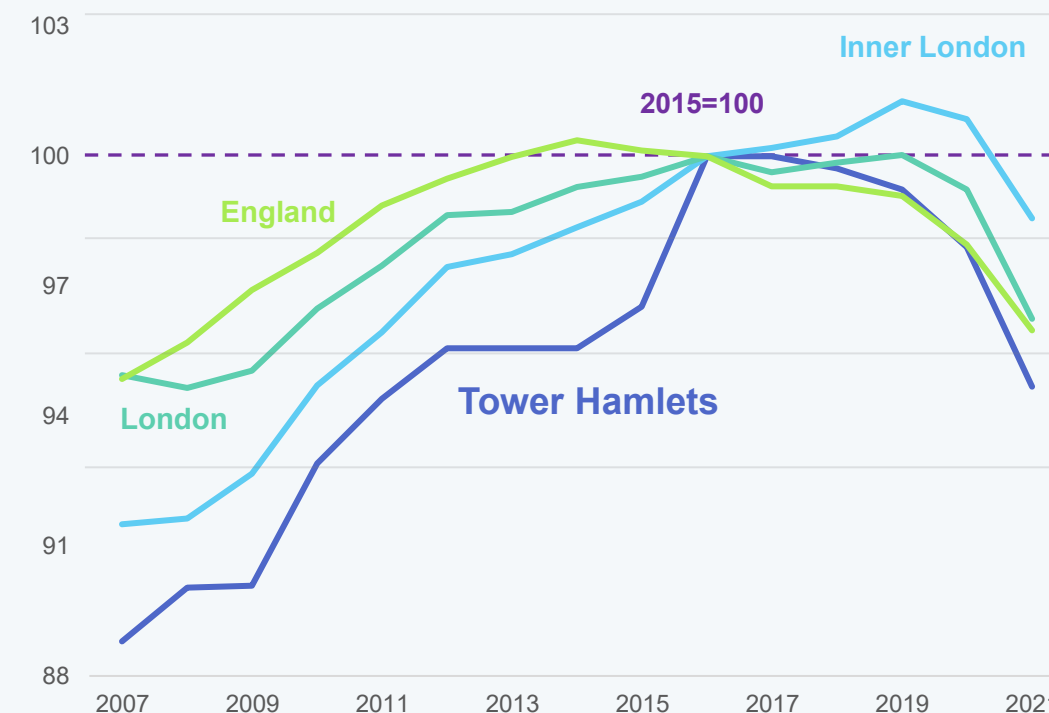
Forecast LBTH growth 2015-2030:

Indicator	Total over period (2015-2030)	Forecast Annual change	Actual annual change to date (2015-2021)
All jobs	125,000	8,333	2,802
Office jobs	35,716	2,381	1,167
Office floorspace m ²	435,879	29,058	-6,875

Source: Employment data taken from ONS, 2022. Business Register and Employment Survey. Floorspace data taken from Valuation Office Agency Data , 2022. Non-domestic rating: stock of properties including business floorspace

Since its peak in 2015, the amount of office floorspace in LBTH has fallen at a faster rate than other areas of London.

Index of growth in office floorspace across LBTH (2015=100)



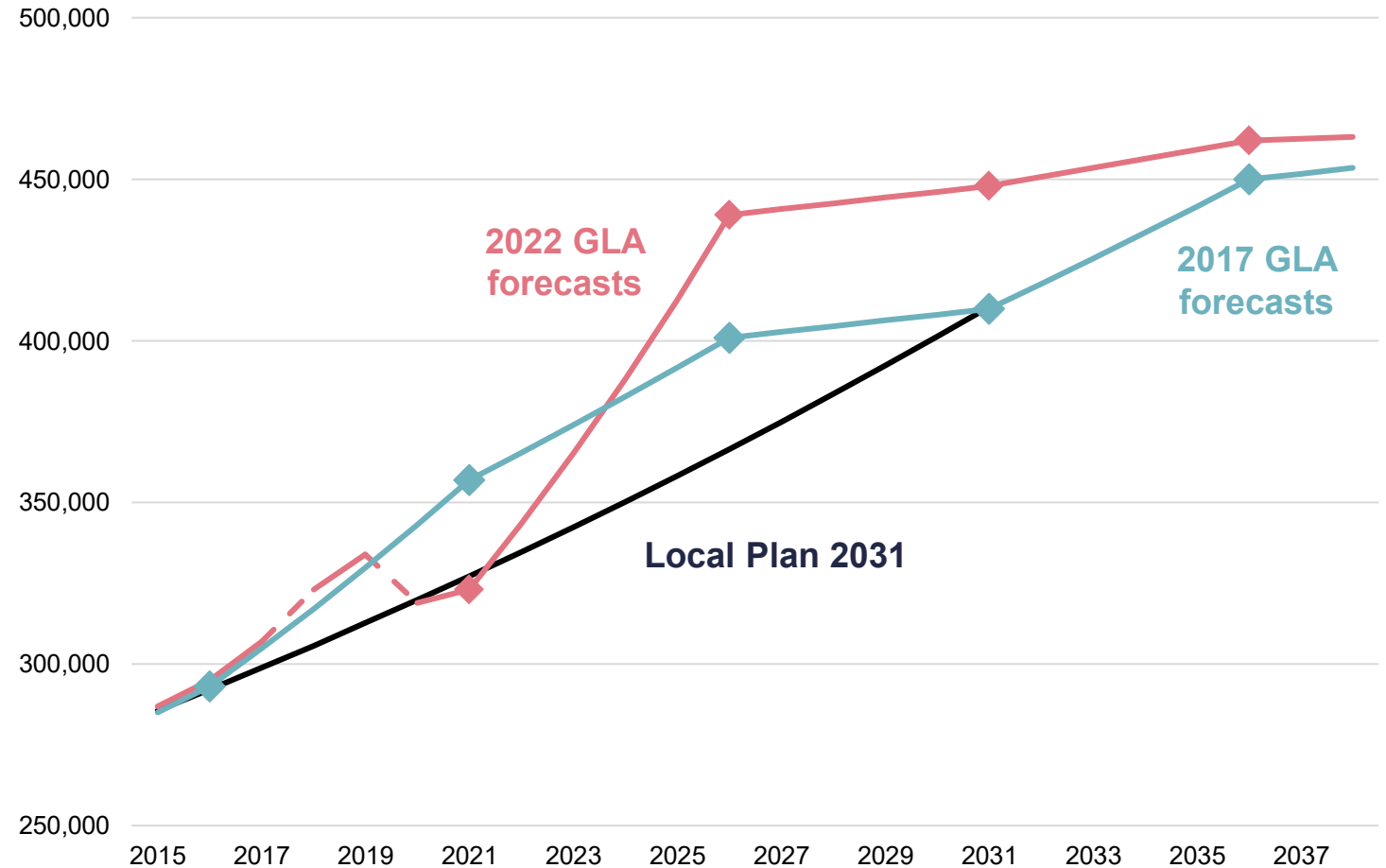
Source: Valuation Office Agency Data , 2022. Non-domestic rating: stock of properties including business floorspace

UPDATED EMPLOYMENT FORECASTS

Updates since the Local Plan (2020)

- **Updated GLA forecasts (2022)** project faster and greater **employment growth** for Tower Hamlets than those produced pre-Covid.
- This increase is most notable 2022-2026 (**stronger short-term**).
- After 2038, growth is then expected to fall below previous forecasts (**weaker long-term**).

Forecast employment growth for Tower Hamlets

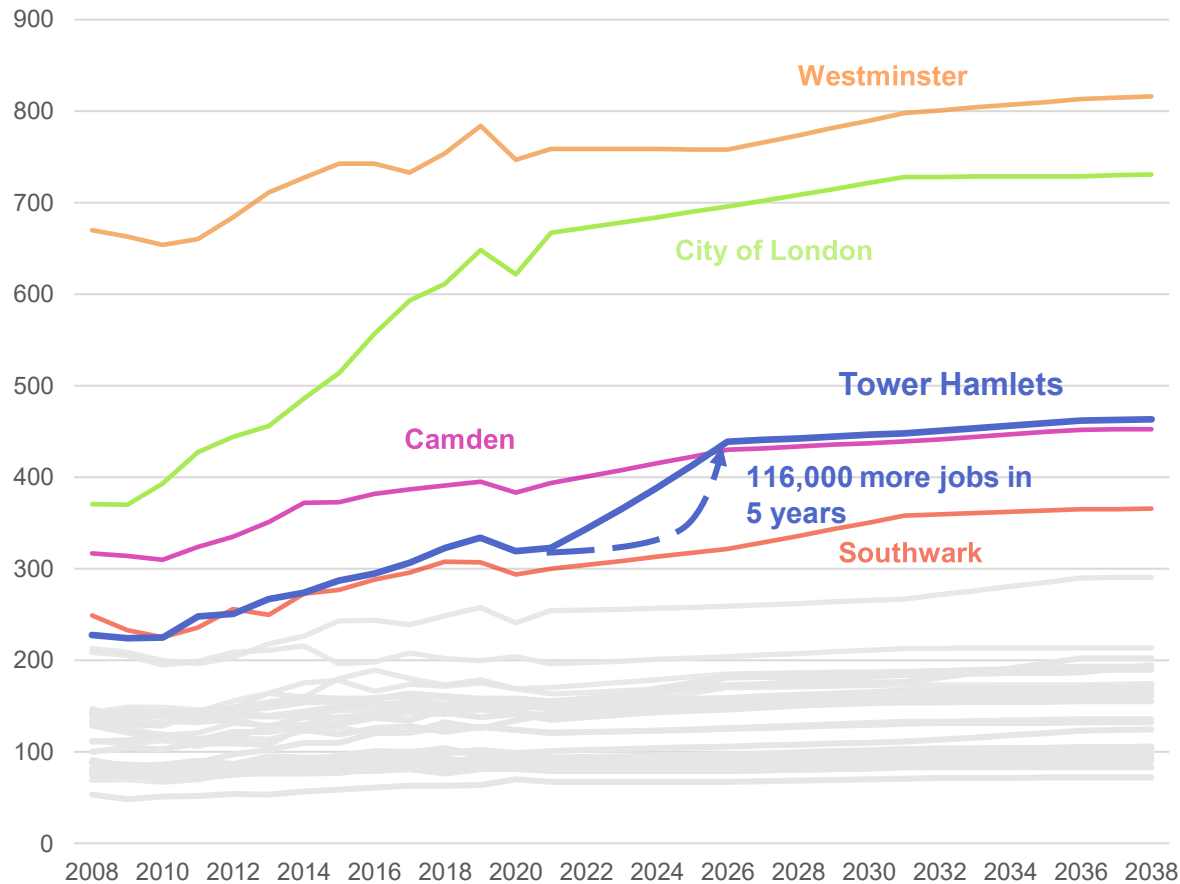


Sourced from GLA, 2022. London Long-Term Labour Market Projections and LBTH, 2020. Local Plan 2031.

UPDATED EMPLOYMENT FORECASTS

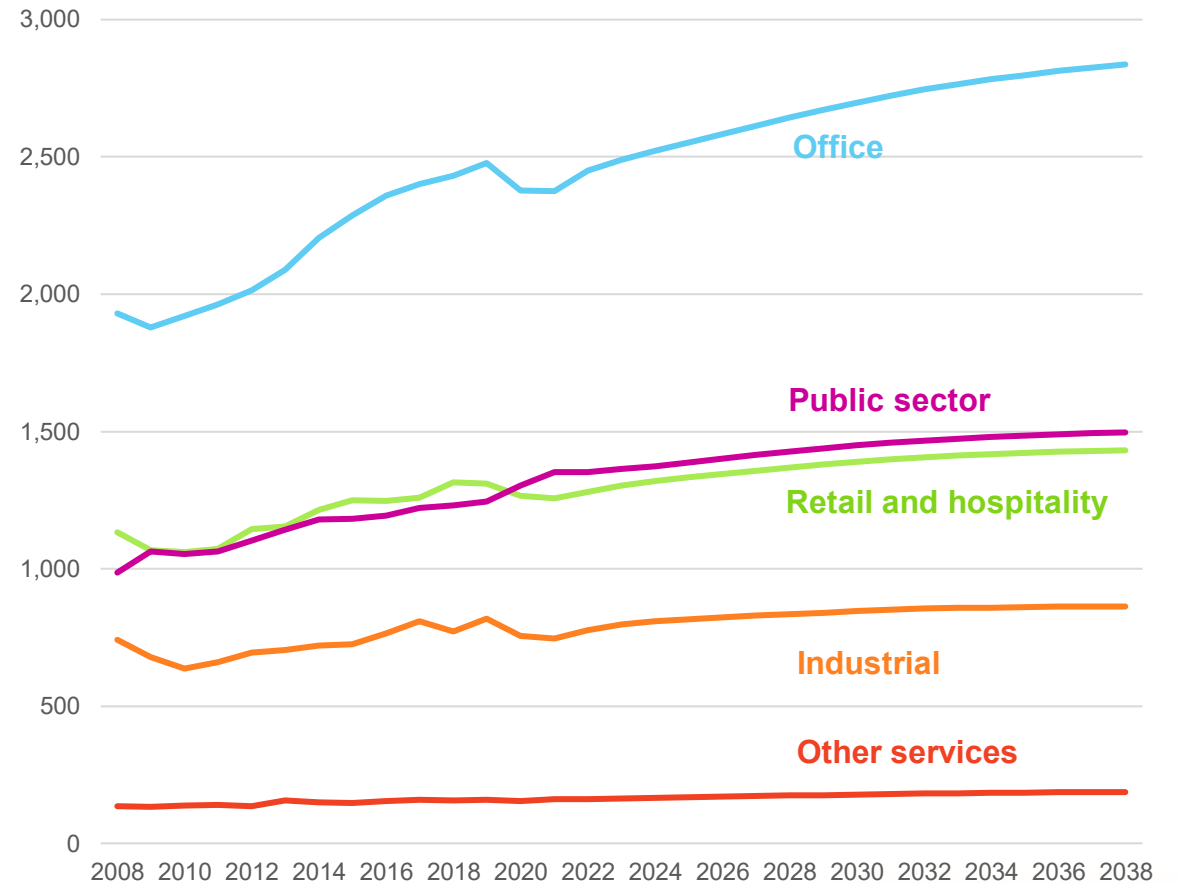
LBTH is forecast to have the 4th highest employment of all London boroughs by 2038, increasingly rapidly from 2021 to 2026.

GLA employment forecasts by borough 2022 (000s jobs)



Growth across all sectors is forecast to slow following the recovery from the pandemic.

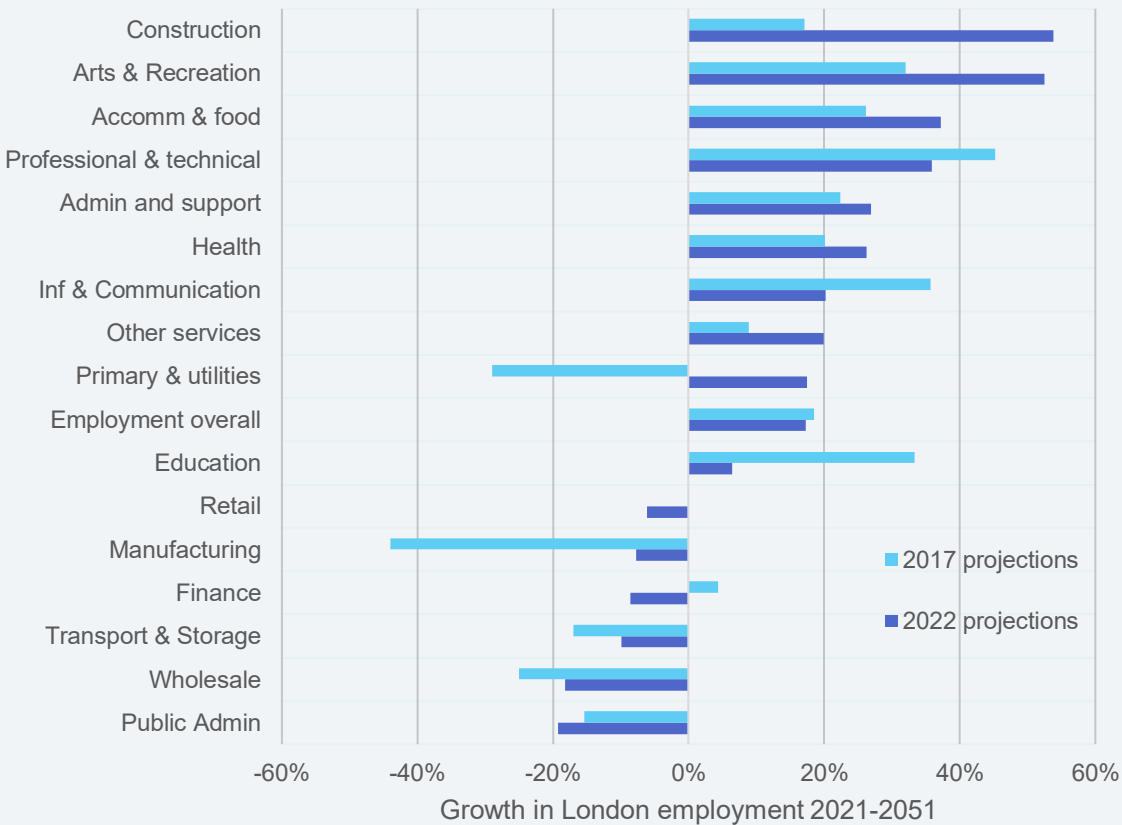
GLA London sector forecasts 2022 (total 000s jobs)



REVISIONS TO EMPLOYMENT FORECASTS

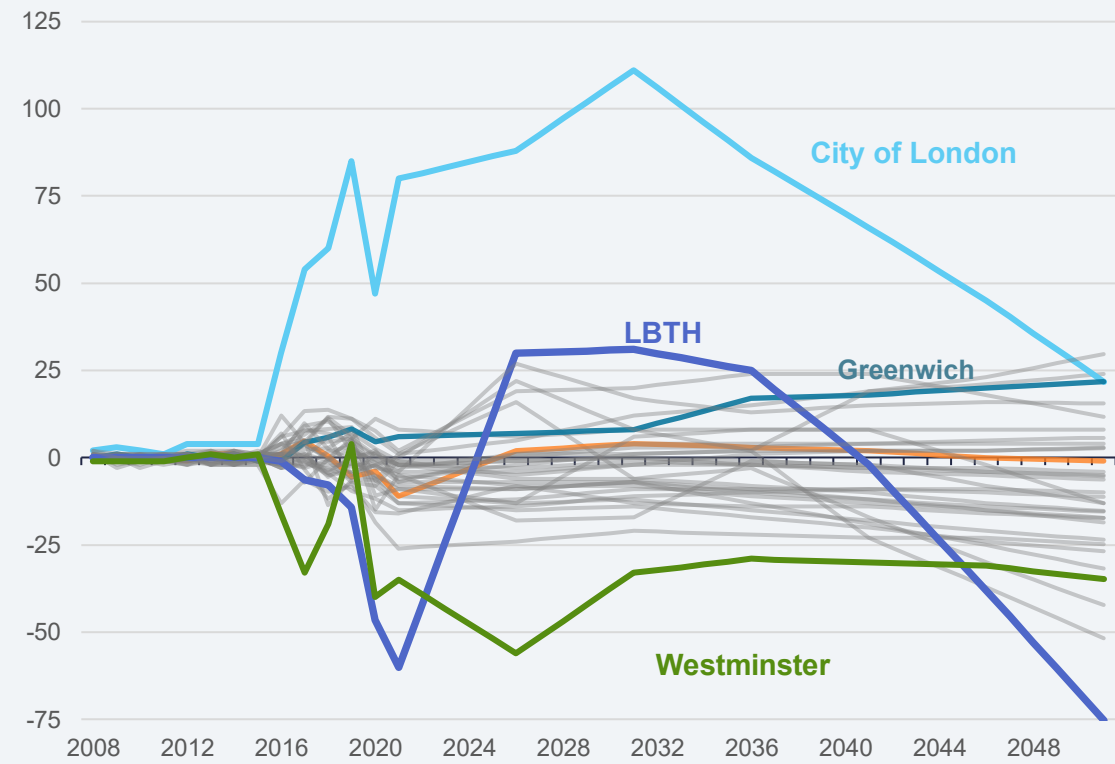
The sectors of finance and professional services (60% of employment in CW) are expected to grow less than previously thought

Revisions to forecast employment by sector (2022 forecast 1,000s jobs compared to 2017)



The 2022 forecasts predict higher short-term growth for LBTH and lower long-term growth

Revisions to forecast employment by London borough (2022 forecast 1,000s jobs compared to 2017)



Sourced from GLA, 2022. Long-term Labour Market Projections

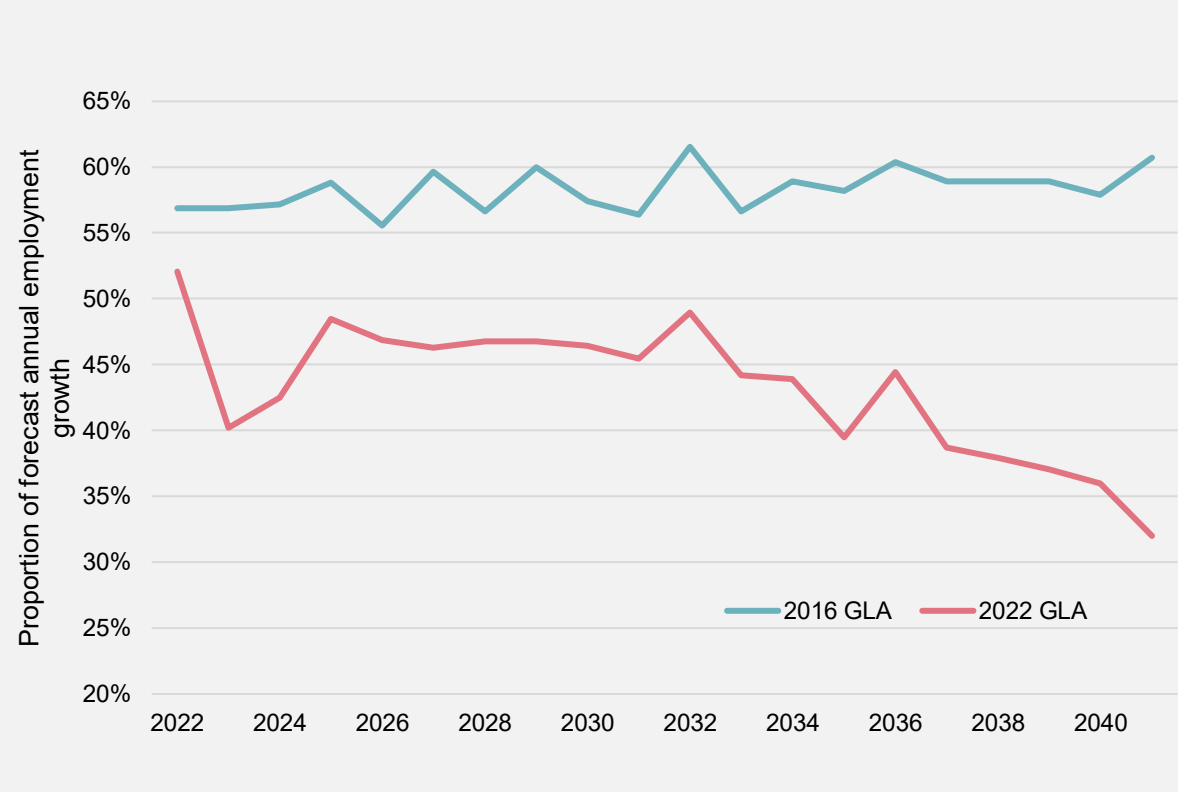


UPDATED EMPLOYMENT FORECASTS

What is driving employment growth in forecasts

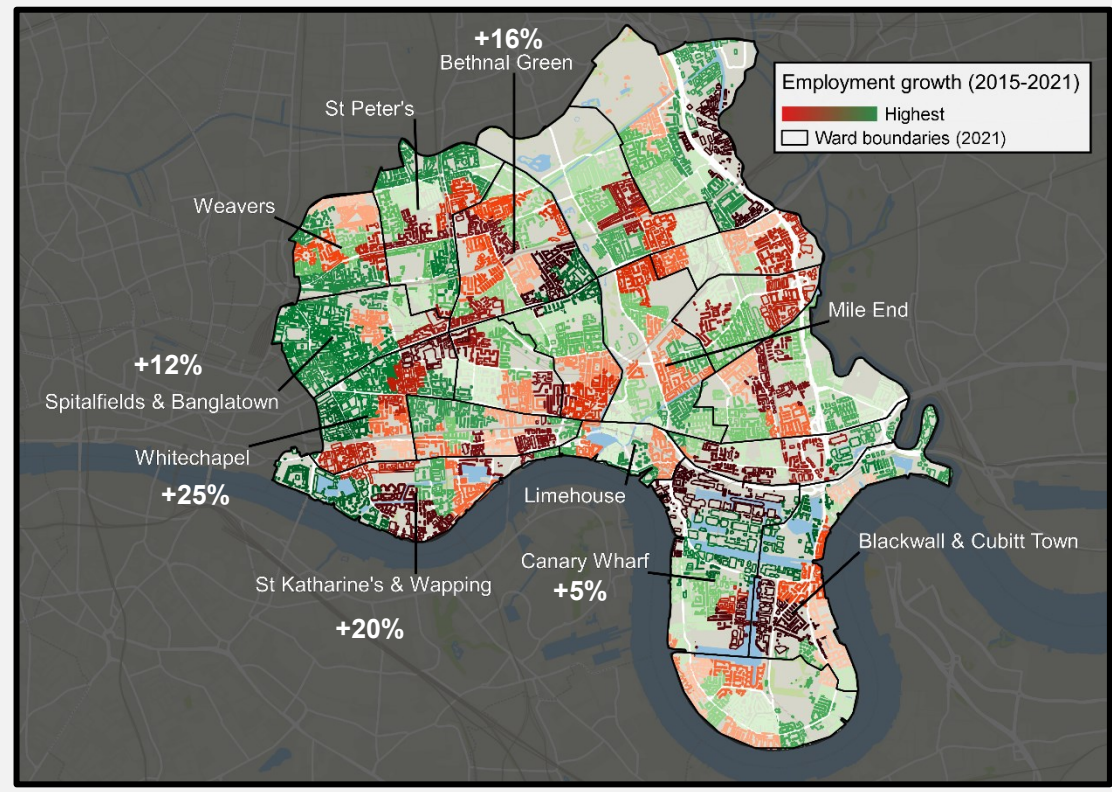
Reliance on office sectors for growth has decreased

Whilst still key to growth, the importance of the office sector has been revised downwards across London. This is most notable in the medium term.



Geographical drivers of growth

Areas outside of Canary Wharf saw significant employment growth from 2015 to 2021. Notably, employment in Whitechapel increased by 25% (4,790 jobs).



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WIDER RISKS TO GROWTH

What are the key challenges for these forecasts

- **Scale** – can the level of historical employment growth across Tower Hamlets be sustained?
- **Timing** – most of the forecast growth to 2041 is expected to occur over the next five years. Is this a feasible recovery from Covid?
- **Geography** – other areas of Tower Hamlets have accounted for much of the recent growth. Could other areas meet the future space needs of local businesses?
- **Pipeline** – Canary Wharf has high levels of available floorspace currently, and a number of large leases are coming up shortly to address demand.

Risks for future office growth in CW



Trends in the office market

Covid could deliver a fundamental shift in the scale and type of office space demanded by businesses.



Changing office densities

Could changes in hybrid working patterns mean each worker needs less space?



The future role of Canary Wharf

Since the pandemic, Canary Wharf has seen increasing footfalls, particularly at weekends. This reflects a demand for non-office uses across the area. Policy should enable Canary Wharf to evolve and develop its brand.

CHALLENGES TO THE GROWTH FORECASTS

Scale: is the scale of growth sustainable?

LBTH's role in London's growth has recently started to decline:

- LBTH experienced the largest absolute employment growth of any London borough since 1984, from a very low base
- 15yr growth rates of >120,000 (annual growth of >8,000) were achieved 1996 – 2019, however this has markedly slowed (2,800 pa for the past 6 years)
- Are historical rates of employment growth across LBTH still sustainable?

Comparison of forecast and historical growth LBTH

LBTH employment growth	Total change	Annual change
Forecast 2023-2038	98,000	6,530
Forecast 2023-2028	77,000	15,400
2016 – 2021	14,810	2,962
2011 – 2016	43,410	8,682
2006 – 2011	41,175	8,235
2001 – 2006	38,520	7,704
2011 – 2021	58,220	5,822
2001 – 2011	79,695	7,970
2001 – 2021	137,915	6,896

Source: ONS, 2022. Business Register and Employment Survey

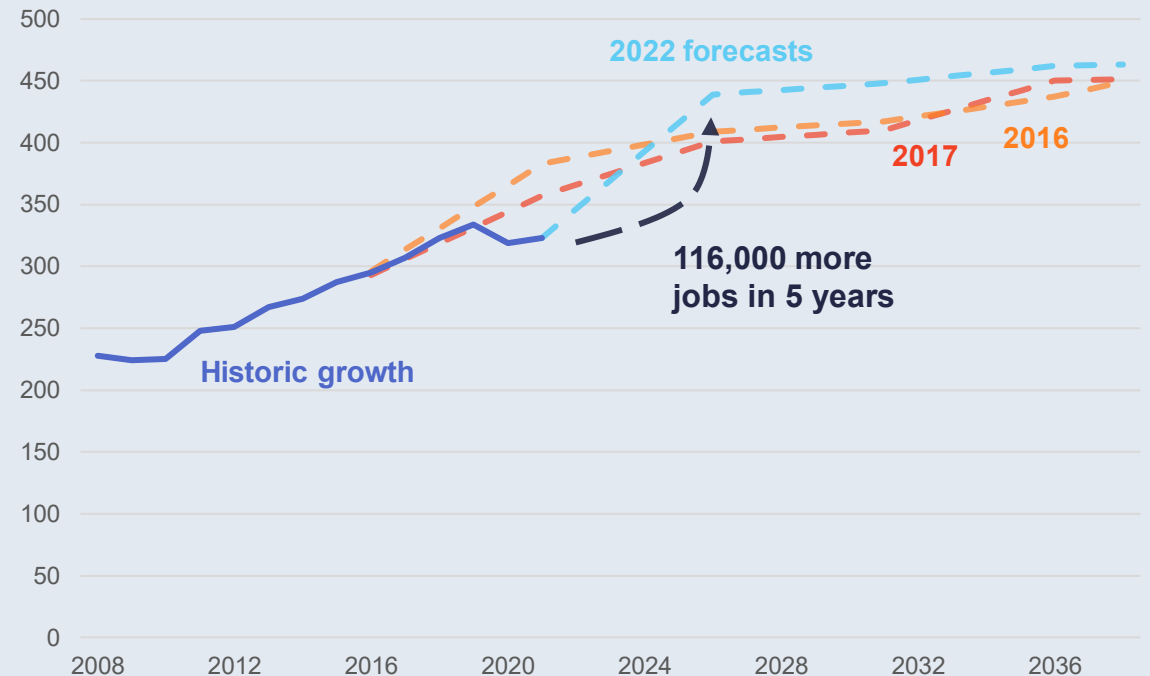
CHALLENGES TO THE GROWTH FORECASTS

Timing: is growth in the short-run achievable?

- Updated GLA forecasts predict Tower Hamlets will support more jobs by 2026 than pre-Covid forecasts.
- Growth between 2021 and 2026 is very high at 23,000 new jobs a year on average.
- Tower Hamlets has never grown by this figure in a single year
- 67,000 is the highest ever achieved over a five-year period (2010-2015), and 20,000 in a single year (2015).
- Would a smoother trend be more reasonable?

LBTH is forecast to support an additional 116,000 more jobs over the next five years

GLA employment forecasts by borough 2022 (000s jobs)



Sourced from GLA, 2022. London Long-Term Labour Market Projections and LBTH, 2020. Local Plan 2031.

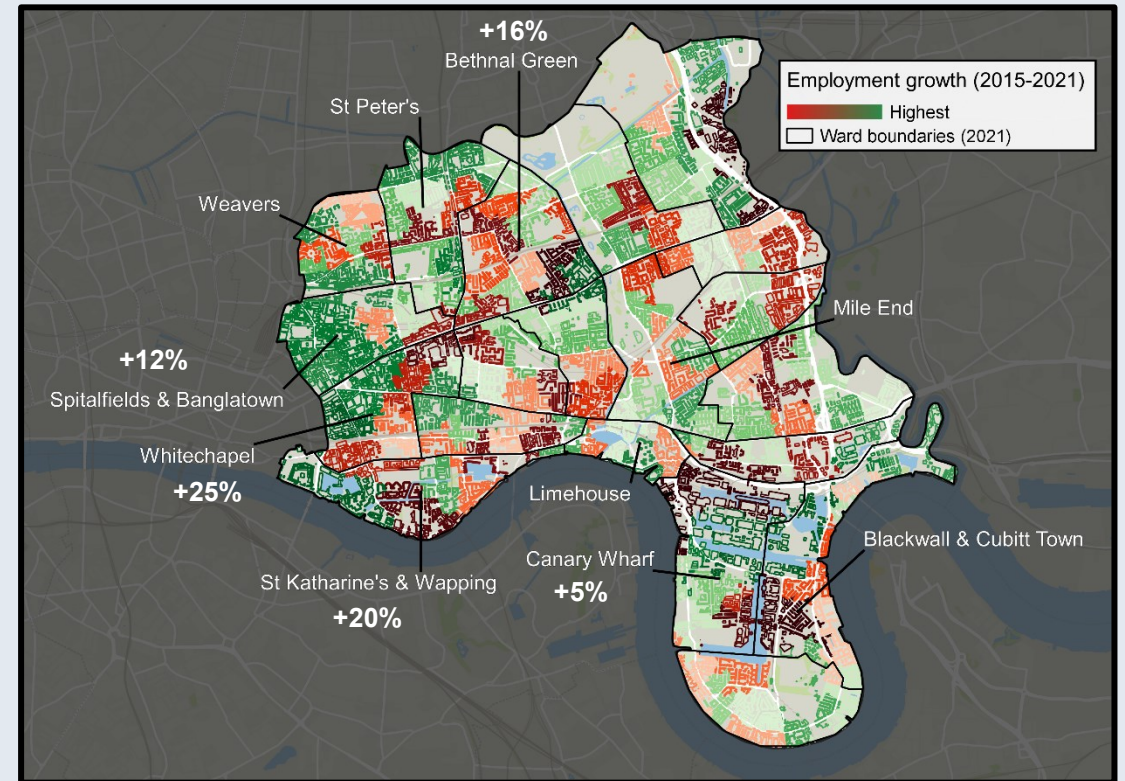
CHALLENGES TO THE GROWTH FORECASTS

Geography: could other areas of Tower Hamlets deliver employment growth?

- The proportion of Tower Hamlets growth delivered in Canary Wharf has gradually declined.
 - CW delivered 72% of Tower Hamlets growth 1984-2021, but only 22% since 2015.
- In recent years, other areas have delivered greater employment growth than Canary Wharf.
- Other developments are coming forward on allocated sites elsewhere in the borough (e.g. Whitechapel Road).
- Could other areas of the borough continue to meet local business demand for office space in the future?

Geographical drivers of growth

Areas outside of Canary Wharf saw significant employment growth from 2015 to 2021. Notably, employment in Whitechapel increased by 25% (4,790 jobs).

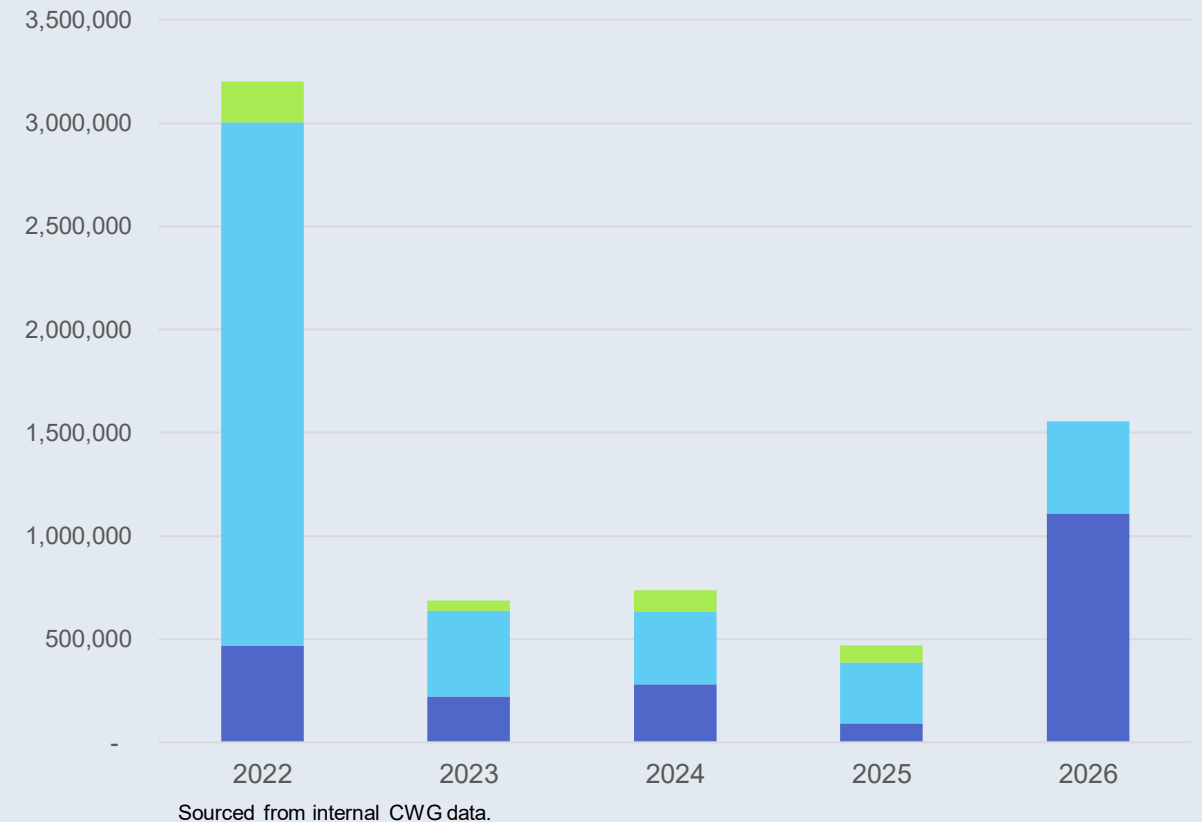


CHALLENGES TO THE GROWTH FORECASTS

Pipeline of availability: Can existing space meet future needs as leases expire?

- The office vacancy rate in both Tower Hamlets and Canary Wharf is already high.
- Over the next four years, more than 3.4m sqft of office space will be made available within Canary Wharf as leases expire.
- The previous Tower Hamlets Employment Land Review (2020) forecast that the pipeline supply of office space was sufficient to meet demand (by more than 400,000m²).
- Should policy promote repurposing of existing office spaces over new floorspace?

Canary Wharf available office space, currently available and expiring future leases (sqft)



WIDER RISKS TO OFFICE GROWTH

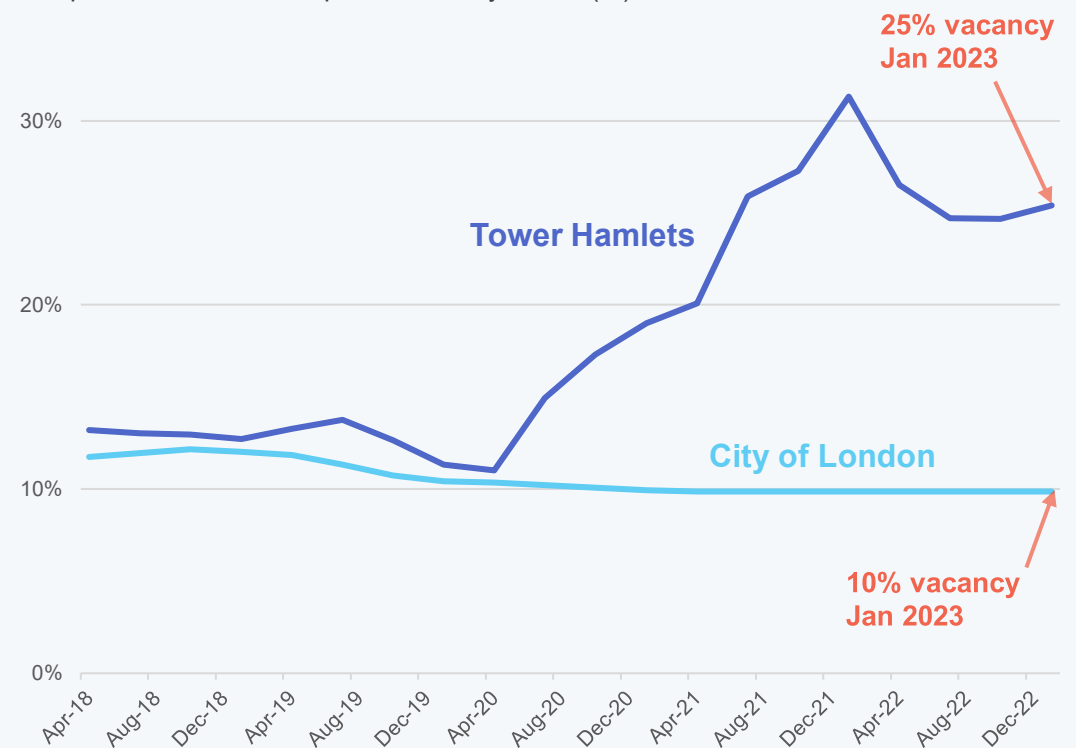


Trends in the office market

- The Covid-19 pandemic may change the way office spaces are used.
- Current market reports outline the need for changing the facilities in offices to provide more collaboration and conferencing space, and a 'flight to quality' for office occupiers.¹
- Early indicators of demand following the pandemic are suggesting that:
 - The stock of office space is falling, nationally and in Central London
 - Vacancy rates for office space that rose nationally during the Covid pandemic have only recently started to fall
 - Workers have continued to adopt hybrid models of working from offices and home.
- As of Q1 2023, there are only 7 English districts with a greater office vacancy rate than Tower Hamlets of 21% (the highest in London).²
- Recent research from Central London Forward recommends authorities plan for a more efficient use of office stock, and the transition of less viable properties towards residential uses (under certain conditions).³

Office floorspace vacancy rates are much higher in Tower Hamlets than other areas of London

Proportion of office floorspace vacant by month (%)



1. For example, this is amongst the key conclusions of Time, 2022. The Future of Work.

2. Data taken from openLocal for Q1 2023.

3. Central London Forward, 2022. The Future of the Office in Central London

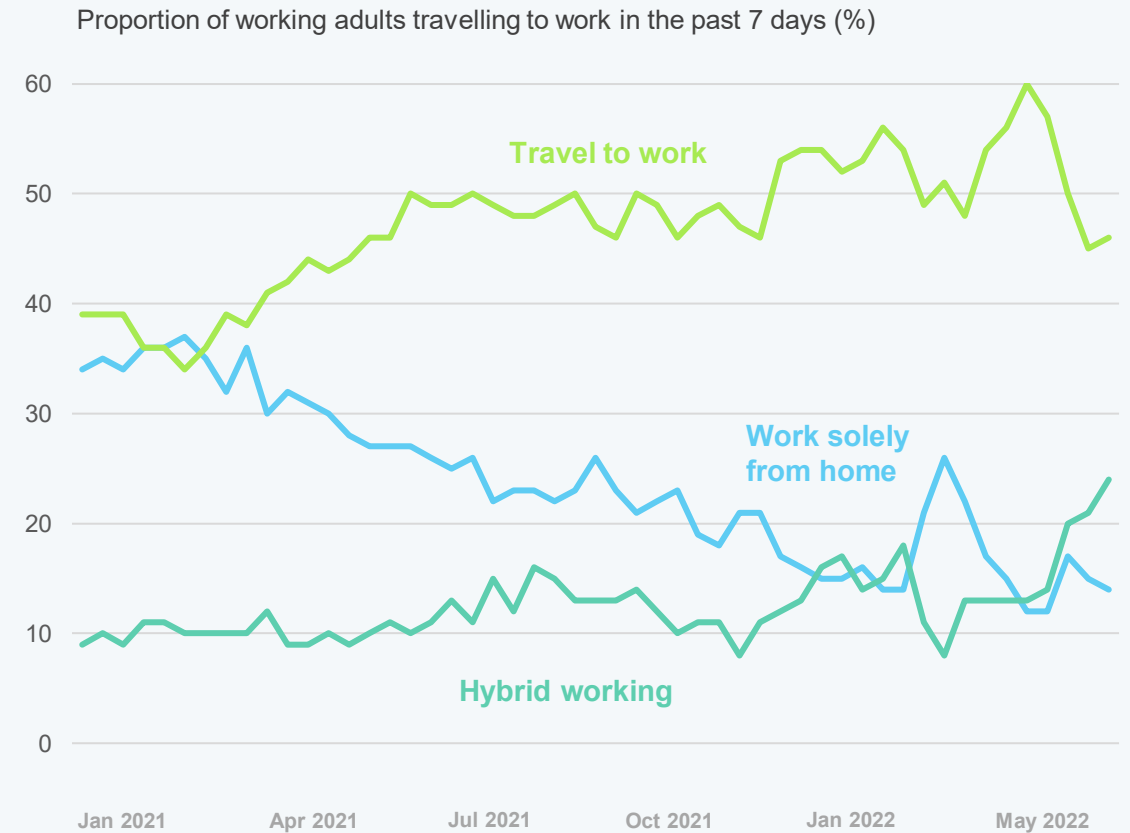
WIDER RISKS TO OFFICE GROWTH



Changing office densities

- In recent years, the density of office employment has fallen.
 - This is particularly true within areas of high demand and higher rental rates such as Canary Wharf
- The total amount of office space per worker in Tower Hamlets has gone from 26m² in 2000, to 18m² in 2010, to 13m² in 2019.¹
- Businesses are now evaluating their office spaces in the context of the future of work post-Covid.
- Hybrid working models enable more workers to occupy a given area of office space.
- A move to hybrid working, or a desire for new spaces for working wellbeing or collaboration could have dramatic impacts on the need for new office floorspace.

Levels of hybrid working are continuing to rise following the Covid pandemic



Source: ONS, 2022. Is hybrid working here to stay?

1. Data sourced from VOA, 2022. Non-Domestic Rateable Value, and ONS, 2022. Business Register and Employment Survey

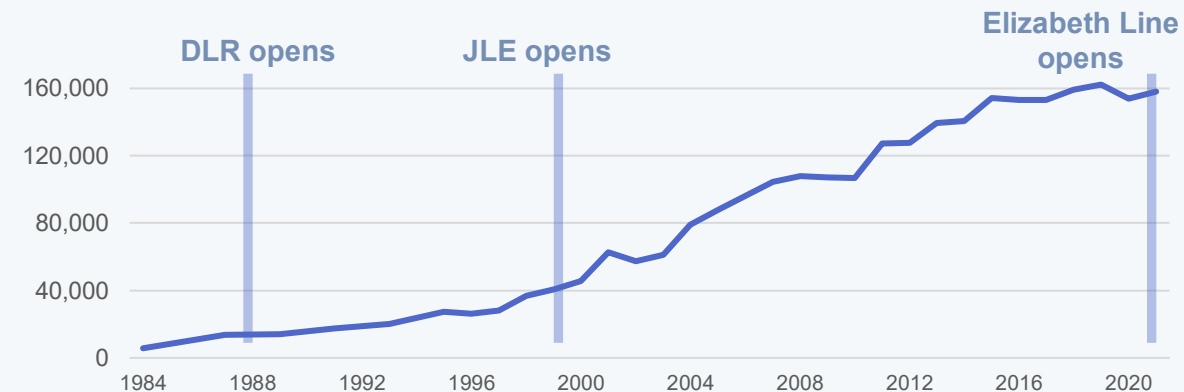
WIDER RISKS TO OFFICE GROWTH



The future role of Canary Wharf

- Early footfall and mobility data show activity at Canary Wharf recovering at weekends.
- This is indicative of the changing nature of visitors, as fewer people travel to work regularly and more people visit for retail, leisure and events.
- Elizabeth Line opening could deliver significant growth in employment and economic activity.
- Canary Wharf should evolve to meet changing future demand.

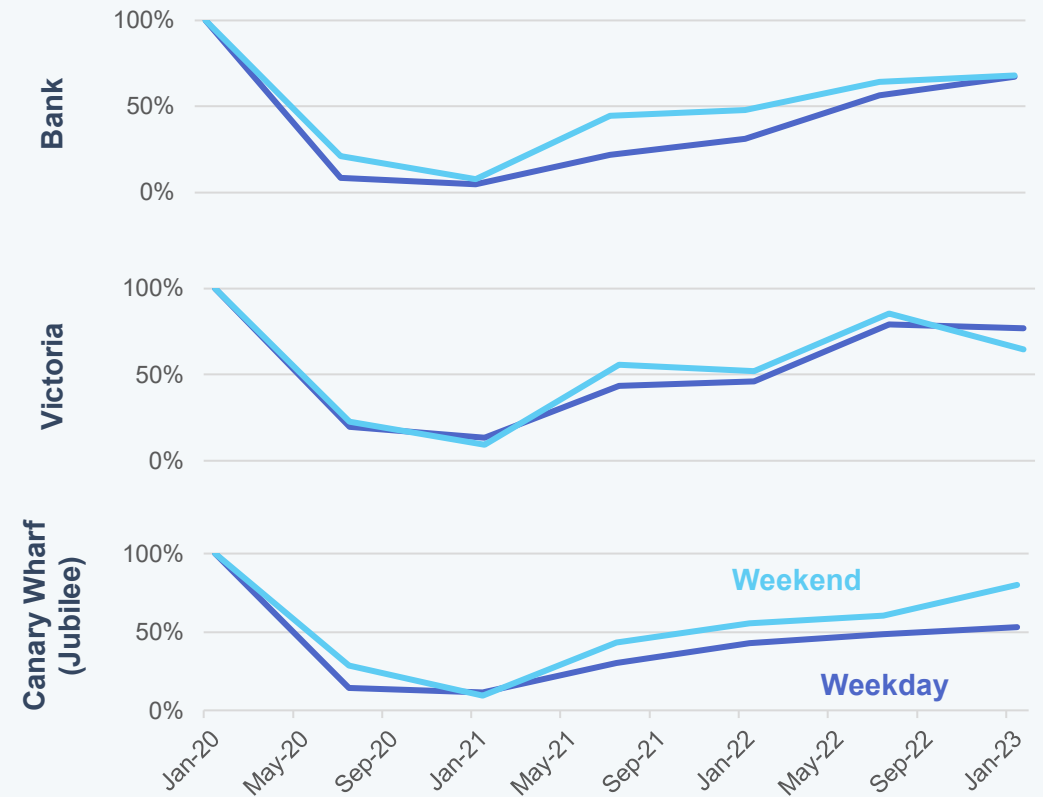
Employment growth at Canary Wharf following transport changes



Sourced from ONS. 2022. Business Register and Employment Survey.

Compared to other stations, the weekend recovery of Canary Wharf has been stronger than the weekday recovery

Daily entries and exits by tube station (% of pre-pandemic by month)



Source: TfL, 2023. TfL Network Demand.

CONCLUSIONS

Existing context

- Tower Hamlets and Canary Wharf have historically grown rapidly, but recently this growth has tailed off.
- Canary Wharf is one of the most specialised office submarkets in London, with a greater prevalence of large office footprints.
- Current evidence shows an uptick in office vacancy for Canary Wharf and Tower Hamlets.
- At the same time, activity and footfall data show a rise in non-office visiting.
- Updated policy forecasts for economic growth in LBTH are very bullish given Covid.
 - 116,000 more jobs over the next 5 years – never historically delivered in Tower Hamlets.

Challenges and risks for future office growth

Challenges:

- **Scale** – based on unachievable historic growth
- **Timing** – very high delivery in short-term
- **Geography** – driven by other areas of Tower Hamlets
- **Pipeline** – numerous large office leases set to expire

Risks:

- **Trends in the office market**
- **Changing office densities**
- **The future role of Canary Wharf**