

Reworking the suburbs

Place-making, employment and property markets



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Context

The suburbs of the UK's major cities have undergone a quiet transition over the past twenty or so years. This brief position paper argues that for many suburbs this transition is structural: their *raison d'être*, in strictly employment market terms, has shifted – permanently. The time has come to re-think the role of suburbs; to modernise outdated planning assumptions and to define a new approach to planning and design for sustainable, suburban employment.

We use London as a case study to set out the argument here, but the issues have general application across the country's major cities.

The problem

American writer James Howard Kunstler has described suburbs as:

*the worst elements of urban and rural life in the same package, with few of the benefits of either ... all the congestion of a city and none of the human contact ... all of the isolation of the country, but no real connection to nature.*¹

And he pinned a fair slice of the blame at the doors of planners for neglecting

any consideration of quality and character of place, and the means for achieving it. This is evinced most dramatically in the issue of the public realm, the part of our everyday world that belongs to everybody and that everyone ought to have access to most of the time. In post war America, the public realm was trashed...

Ignore the American flavour. And ignore the swipe at planners (for the moment). The theme here is about the identity of place. And surely this is an issue that lies at the crux of the suburban debate: the decline of public realm, the loss of *places*. The question here is: what role does economic activity play in sustainable places?

Up and down the country, regenerated city suburbs have their new shopping centres, and several have their giant enclosed shopping malls. But public realm? *Places*? It is hard to argue that many are places that belong to everybody.

There is nothing new in this: Thomas Cubitt *manufactured* large parts of Belgravia and Pimlico in the mid-nineteenth century, but who could ever describe these as *places*? Somehow they work because they are knitted tightly into the surrounding urban fabric. This is more difficult in the suburbs. And it is doubly difficult where there is a decline in function – in jobs.

As more jobs leave the suburbs (as seems likely), their roles as places decline; and as places decline, so we have physical decline. And here we get back to planners. Are they stewards of the built environment; or master planning developers (without the cash)? Surely their task must be about fostering public realm and nurturing economic activity: intelligent evolution rather than grandiose plans for revolution?

¹ Kunstler J H (2006) *Sprawl: A Compact History* *Salmagundi* Fall 2006 No152

Reworking the suburbs

Place-making, employment and property markets

Encouraging micro businesses and SMEs into suburban high streets; improving the quality of public spaces; attracting diverse uses instead of slavishly applying the dated Use Classes Order; offering alternatives to 1980s-style institutional office buildings, and being creative about mixed use space, are all aspects of good stewardship that will help nurture sustainable and attractive places.

Whatever happened to suburban employment markets?

In the process of drafting the *London Office Policy Review 2009* for the GLA, we grew increasingly concerned by the number of London suburban centres suffering from the same malaise – a damaging decline in their job markets.

The fact is that too many of London's suburban centres are tired and grey, and burdened with out-dated buildings. Many of these buildings were built when the relocation of large central London occupiers to the lower cost suburbs was common, but now they form a drab back-drop to local commercial centres, dragging the rejuvenation of the public realm and suppressing the possibility of new uses.

Our key concern here is about misconceptions of the reality of the jobs market. Policy making remains trapped in a belief that ring-fencing land and buildings for B1a office use is a necessary pre-condition for creating vibrant suburban town centres. We believe that the structural, rather than cyclical, changes that have taken place in the office market demand a new approach.

The facts speak for themselves. During the period of rapid economic growth leading up to the Credit Crunch, Outer London performed dismally in office market terms, and the picture was mirrored in employment data. In 2008, no new office buildings were built in nine of the 20 Outer London boroughs.

In fact, in any of the five years leading up to 2008, between 10 and 13 of the outer London boroughs delivered no new office construction. And where construction occurred, it was very limited. In the period 2000-09, the highest average annual rate of construction in Outer London was 16,098 sq m in Hounslow and that far exceeded any other borough. The next highest was Hillingdon with just 6,971 sq m. And over the same period, average annual completions were less than 5,000 sq m in 16 of the 20 boroughs.

These figures demonstrate the fallow conditions in the vast majority of Outer London office property markets during a period of strong economic growth, and the picture is mirrored in the state of the employment data for Outer London as shown in Figure 1.

In the period 2001-2008, the number of office jobs *fell* in 11 out of 20 Outer London suburbs (Figure 1), and overall there was virtually no growth in Outer London while the number in Inner London grew by 6.5% and this excludes the much greater growth that occurred in the Central Activities Zone (City, West End and Canary Wharf). It is also worth emphasising the general context of UK economic growth during this period.

Reworking the suburbs

Place-making, employment and property markets

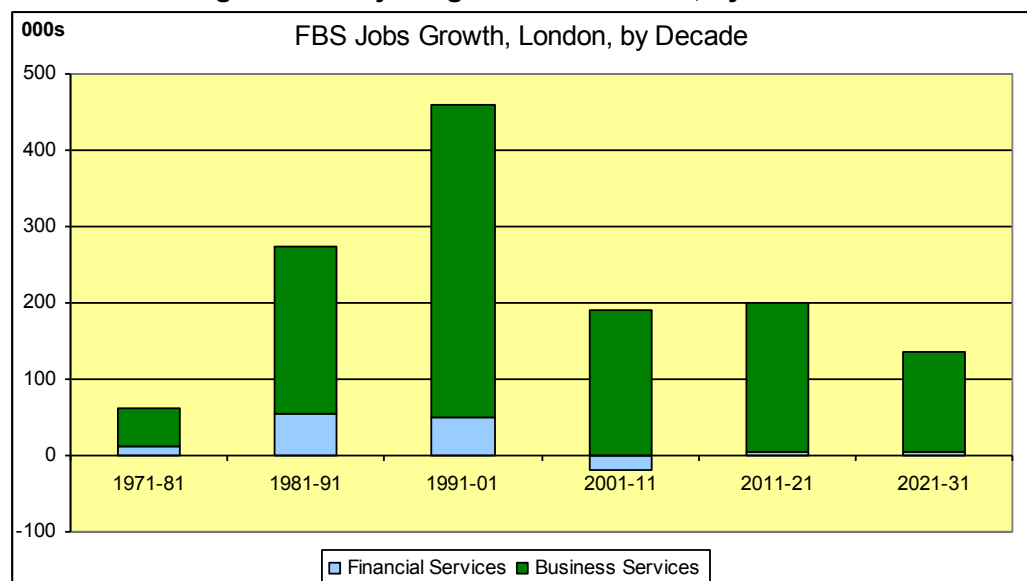
Figure 1 Office employment in Outer London, 2001-2008



Source: NOMIS

Looking forward, forecasts for growth in the office sector suggest a much slower expansion than has been the case in the past, perhaps with particular implications for the suburbs. Figure 2 shows forecasts for London's Financial and Business Services sector, clearly demonstrating a sharp slow-down in growth rates. In such a scenario, competition for office jobs will become a zero sum game, and the recent performance of London's suburbs suggests they might be the biggest losers.

Figure 2 FBS jobs growth in London, by decade



Source: GLA Economics/RTP, Cited in LOPR 2009

Reworking the suburbs

Place-making, employment and property markets

Explaining the decline in demand for suburban offices

Property cost differential When office rents in Central London rise towards cyclical peaks, occupiers begin to consider alternatives as a way to reduce operating costs. The London suburbs have, in the past, played a role in the wider London market by providing a lower cost alternative to Central London. Businesses seeking to reduce overheads could relocate to the suburbs without causing major disruption to employee journey-to-work patterns while, at the same time, retaining easy access to Central London clients and suppliers. However, as we explained in LOPR 09,

Demand pressures on Central London, that may once have fuelled demand in Outer London, have been relieved by the emergence of large campus-style schemes on the edge of Central London. These act as pressure valves for the Central London markets, by offering alternatives at significant discounts to rents in the core.

The emergence of campus-style developments around the periphery of Central London, from Broadgate to London Bridge City/More London and Paddington to the prospect of King's Cross, has enormous significance for the evolution of the suburbs. It means, in effect, that their role as low cost alternatives has been usurped by a new generation of high quality environments with far better connectivity to the West End and City. There are a few exceptions in suburban West London but these are discussed later.

There is no longer a meaningful price advantage for suburban offices. Crudely, commercially viable development for a good quality office building requires a minimum rent of around £30 per sq ft. This is virtually unobtainable in the London suburbs now and yet, any increase on that level would erode the vital differential between core and peripheral markets.

Salary cost differential So, can the suburbs work as a location for back-office functions? In this role too, they have been upstaged. Two reasons are worth highlighting. First, the historic salary differential, the central London weighting, has all but disappeared. Secondly, those businesses that continue to have large clerical or process-based workers (and the number is dwindling) now look further afield to achieve savings on staff as well as premises costs. Back office functions are more likely to be in Bangalore or Glasgow than Outer London, since advances in communications technology have eroded the necessity of geographical proximity.

Changing work styles During the past two decades workstyles have changed dramatically in response to technology and business priorities. One symptom of this is the virtual disappearance of the typing pool and large clerical, back office functions. These were a staple of the suburban office market, but many such jobs have simply disappeared.

Public sector demand Public sector demand arises from two key sources. First, Outer London has traditionally provided an alternative for central government departments (driven by property and salary costs). However, since 2004, Whitehall has been delivering the Lyons relocation programme, completing 20,000 relocations from London to elsewhere in the UK up to March 2010. Earlier this year, the Smith

Reworking the suburbs

Place-making, employment and property markets

review announced that the programme is to be extended, possibly resulting in a further 15,000 relocations over the next five years.

Secondly, local government has been a key user of suburban offices over the past 20 years – public administration often accounts for over a third of total employment. Now, however, there is the real prospect of retrenchment and rationalisation in the public sector, as local government begins to deliver on the objectives of the Operational Efficiency Programme. This will lead to the vacation of substantial tracts of suburban office space over the next few years.

Highlighting the bright spots

Of course, not all suburban London office centres are in terminal decline. West London is, and will remain, the primary location for office development in Outer London. Its key markets of Chiswick, Uxbridge and Stockley Park all have critical mass and a vibrant established market.

To a lesser extent, Ealing, by virtue of its proximity to other west London office markets, its tube connection and its town centre, has potential for growth. There are also a few other isolated centres that have developed robust markets. Wimbledon, for example, has a small but active office market.

In the longer term, we consider that office-led development might be viable in both Stratford and in Croydon. Kingston has potential based on the attraction of a university, but would need to overcome severe issues with traffic congestion and quality of existing office stock and we consider that the area around Park Royal has potential as a centre for hybrid office-workspace-industrial floorspace.

There are however, simply too many suburban office locations to justify the limited demand that might exist for businesses relocating out of Central London – they will compete head on with each other in a way that is potentially damaging to all. Add to these the prospect of “mega schemes” at Earl’s Court (120,000 sq m), Brent Cross (400,000 sq m), Wood Wharf (370,000 sq m) – the list goes on – and the sheer scale of potential competition is daunting.

So, what is the alternative?

We believe that suburbs must adapt, in different ways, to build on their strengths and differentiators, to offer a range of built products and to harness scarce demand with fresh approaches to planning. Clearly, the value of office space is not evenly distributed through the suburbs, nor is the pattern of values consistent over time. Material changes to an area can create or shift demand, allowing new markets to emerge and existing markets to flourish at the expense of competitors.

In many areas the process of rejuvenation will require a net loss of office space to rebalance the market. There are several precedents for changing the use of obsolete office buildings but the principal uses to which former office buildings and sites have been put are residential; hotels and apart-hotels; student accommodation and teaching space for universities and colleges. All have the potential to drive new demand and generate commercial value.

Reworking the suburbs

Place-making, employment and property markets

The suburbs could experience resurgence if past dogmas are updated. Our proposition is that suburbs can, and should, work as places to live *and* as sustainable commercial communities, but only if they are planned and developed thoughtfully.

Rigid assumptions about land use can stifle change and inhibit rejuvenation. New thinking and a flexible approach by planning authorities, combined with greater collaboration between authorities and across borough boundaries, might provide the catalyst required to create important new opportunities. Some examples of how this might be done are listed below.

- In the long-term, larger and more attractive residential communities can create the conditions for sustainable employment by expanding the labour pool.
- New forms of occupation such as networks of home workers or rent-by-the-day office space or membership club office facilities, could be sustained by a more vibrant and successful residential market.
- Businesses that might once have been accommodated in office or retail space could operate from cost-effective warehouse or quasi-industrial space in a well managed environment.
- Local authorities and government should find creative ways to help start-up retail and other businesses on high streets – perhaps through tax concessions.
- Business Improvement Districts, and similar models, could be encouraged by local authorities with greater discretion to “make things happen”, and they could involve the community in a far more active manner in shaping change.
- Equally, former retail premises could become home to small office-type businesses or craft workshops.
- Improvements to the public realm are essential to enable the transformation – this might be a by-product of residential or infrastructure investment.
- Where there is transport infrastructure spend it will be a catalyst for growth.
- Creative industries and cultural ventures will be important components of new local economies – not traditional office employment.
- Community centres and community ventures should be encouraged as important focal points.
- Much greater flexibility in the planning system is essential to this vision.
- Local authorities need a mechanism to swap uses across borough boundaries to find the best locations for appropriate development – and avoid competing for employers in a zero sum game.

The evidence suggests, very strongly, that there is a real and immediate need to review planning assumptions relating to land use and the delivery of employment provision in suburban markets. The local default position of protecting B1a employment space and/or planning for its expansion must be questioned. But if this is so, then what needs to take its place? What kinds of jobs should we be planning for? What types of property will be appropriate? Research is needed to substantiate the case for change.