

LB Newham - Employment Land Requirements – covering the 2021-2042 period

Planning for: London Borough of Newham

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This report has been prepared within the quality system operated at Rapleys LLP according to British Standard ISO 9001:2015.

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1 INTRODUCTION

- 1.1 The Submission Plan and its evidence base cover the period 2021-2038.
- 1.2 The Newham Local Plan Inspector has raised an initial query regarding the plan period.
- 1.3 This note sets out what the Borough's employment floorspace/land need requirements would be if the plan period were to be extended to cover the period 2021-2042.
- 1.4 The current employment floorspace / land requirements are set out in Tables 11 and 12 of the Newham Local Plan (Submission version), with the detail provided in the July 2022 Employment Land Review prepared by Stantec¹.
- 1.5 This update note revises the key calculation tables in the 2022 study to identify what the requirements for office and industrial uses would be under this longer time frame (four additional years). To assist the reader the tables in this note present the calculations for both the 2021-38 and 2021-42 periods.
- 1.6 The calculations for the extended period (to 2042) use the same method and broadly the same data as the 2022 Employment Land Review with just one exception for the office need calculation because the original Experian forecast ran only up to 2041. So, we have needed to project the forecast one further year.
- 1.7 The industrial requirement calculation is the same approach as that used in the 2022 study, which projected forward based on the past trends in jobs delivery over the 2009-19 period. We apply a per annum average for that period to the longer plan period, recalculating need for a 21 year period ending in 2042 rather than 17 years ending in 2038.

2 OFFICE TYPE USES

- 2.1 To revise the calculation of floorspace need for office type uses we have used the original December 2021 Experian Economics forecast, but as referred to above the forecast runs to 2041, and thus it is necessary to extend this forecast by one year.
- 2.2 Extending the forecast is best achieved through a projection based on the forecast years. We have reviewed the forecast and compared a range of periods to examine the different growth rates. The periods considered were - the full forecast period² 2021-41 (20 years), 2031-41 (ten years), 2036-41 (five years) and 2038-41 (three years).
- 2.3 The method was to average the forecast growth for all jobs in Newham over these periods. The output per annum growth is identified in the table below.

Table 2.1 Annual Rates of Job Change in the Experian Forecast – all jobs, different periods

Period	Years	Ave Ann job change
2021-41	20	1,600
2031-41	10	1,500
2036-41	5	1,600
2038-41	3	1,900

Source: Experian Economics (Dec 2021) and Rapleys analysis, numbers rounded.

- 2.4 The table above shows that there is a difference in the forecast job growth rates over different periods. We have adopted the rate for the shortest period (2038-41) because we observe from the Experian forecast data, an acceleration in growth from 2038 onwards with 2041 being the highest rate over the period from 2021 – growth in total jobs in these three years are forecast to be – 1,800, 1,800 and then 2,200, this after the preceding decade averaged 1,300 jobs. Thus, it seems reasonable to expect the forecast for 2042 will be at this higher level, and hence total jobs in 2042 is projected to be 1,900, a little lower than Experian's 2,200 figure for 2041, but consistent with the forecast uplift in growth at the end of the 2030s.

¹ The Stantec team that prepared the 2022 report moved across to Rapleys in 2023, and have been retained to advise the Council on employment land planning matters, including preparation of this note.

² For Experian's December 2021 forecast edition actual data rather than forecast would have underpinned year 2020.

- 2.5 These 1,900 jobs are first calculated at the 38 SIC economic sector level and then using our economic sector to land use class 'mapping' method, we calculate the change in job numbers by land use category, and this is presented in the table below.

Table 2.2 Job Change in 2042

Job change in 2042	
Office	380
Industrial	220
Non-employment	1,300
TOTAL	1,900

Source: Experian Economics (Dec 2021) and Rapleys analysis, numbers rounded.

- 2.6 The forecast based projection delivers an additional 380 office jobs in 2042.
- 2.7 Having projected job change to 2042 next we look at change in office job numbers 2021-42.
- 2.8 As shown in row (a) of Table 5.7 below, over the extended plan period (2021-42) the forecast indicates a need to plan for a minimum 6,328 office based jobs, averaging 301 per annum, up from the 4,811 jobs forecast to be delivered 2021-2038. The growth in jobs over the 2021-42 period is a marginally faster average annual delivery rate compared to the period ending 2038 (283 jobs pa).
- 2.9 Updated Table 5.7 calculates net demand for office floorspace over both the extended 2021-42 period, and for ease of reference the calculation for the original 2021-38 period.

Revised table 5.7 Office net demand in LB Newham

	—2021-38		2021-42	
	Total	p.a.	Total	p.a.
a Jobs change	4,811	283	6,328	301
b Density factor (sq m NIA /job)	12.0		12.0	
c Occupier demand (sq m NIA) [a*b]	57,727		75,941	
d Vacancy factor (sq m NIA) [c*8.1%]	4,676		6,151	
e Total occupier demand (sq m NIA) [c+d]	62,403		82,092	
f Stock vacancy adjustment (sq m NIA)	-1,896		-1,896	
g Net demand (sq m NIA) [e+f]	60,507		80,196	
h Net demand (sq m GIA) [g/0.85]	71,185	4,187	94,348	4,493

Source: Rapleys analysis

- 2.10 The floorspace requirement for these jobs to 2042 is worked through in the table using the same approach as the previous study, and shows that to accommodate the level of jobs forecast to 2042 will require 94,348 sq m of office space (compared with 71,185 sq m up to 2038).
- 2.11 Thus, over the longer plan period (the additional four years to 2042) the net demand increases by around 23,000 sq m.
- 2.12 The gross demand for office space over this longer plan period is calculated by making an allowance to compensate for committed office losses in the pipeline. Here we carry forward the allowances made in the 2022 study, with the revised calculation of gross demand shown in table 5.8 below.

Revised table 5.8 Office gross demand in LB Newham

	2021-38	2021-42
h Net demand (sq m GIA)	71,185	94,348
Office losses (add to demand)		10,056
i Planning permissions (LB Newham)	42,254	
j Prior Notifications (LB Newham)	5,120	
k Planning permissions (LLDC)	0	
l Prior Notifications (LLDC)	2,150	
m Plan allocations	0	
n Total future losses (i+j+k+l+m)	49,524	10,056
o Gross demand (sq m GIA) [h+n]	90,706	104,404

Source: Rapleys analysis

- 2.13 The office losses did sum to 19,521 sq m, but this has reduced to 10,056 sq m, generating a gross demand to 2042 of just over 104,000 sq m, around 14,000 sq m higher than the period ending 2038.
- 2.14 Finally, we calculate the balance to find, this is the demand minus the committed office supply.
- 2.15 In respect of supply, we have updated the figure using the latest available data³, and this has increased from 19,895 sq m in the 2022 study to 50,653 sq m, and set this against the demand, this identifies a new balance for the 2021-42 plan period, which is set out in Revised Table 5.10 below.

Revised table 5.10 Office – Demand supply balance in LB Newham

	2021-38	2021-42
o Gross demand (sq m GIA)	90,706	104,404
p Total supply (sq m GIA)*	49,895	50,653
q Balance (sq m GIA) [p-o]	71,000	54,000

Source: Rapleys analysis * figures exclude supply in the LLDC and Royal Docks.

For the 2021-42 period this includes the 38,000 sq m at Plot S10 of the International Quarter however in late 2024 the site promoter asked for the office elements to be opened to also allow education (approved – office and/or education uses). So this 38,000 sqm is unlikely to come forward if they continue to promote the space of education.

- 2.16 The requirement for office over the 2021-42 period shows a balance in rounded terms of 54,000 sq m after accounting for available committed supply. This is 23,000 sq m less than the office floorspace requirement identified in the 2022 Newham ELR.

3 INDUSTRIAL TYPE USES

- 3.1 As referred to above the 2022 ELR calculation of the industrial land requirement was made on the basis of past trends in job delivery, with the trend period being the 2009-19 period, a period where on average c300 industrial jobs were added in the Borough.
- 3.2 Below, we calculate the need for industrial floorspace / land for the longer Plan period, applying the same method as that used in 2022, and retaining the per annum average job change for the same 2009-19 period because this rate of growth was in line with what the property market professionals thought reasonable. Thus, we retain that annual average job growth figure and apply it to the longer

³ Provided by the GLA to 2022/23

plan period to identify an industrial need figure for the 2021-42 period. The calculations are set out in the table below with row (a) setting out the job projection. Once again we present the 2021-38 figures for comparison.

Revised table 5.13 Industrial - net demand in LB Newham

	2021-38			2021-42		
	Core industrial	Warehousing	Total industrial	Core industrial	Warehousing	Total industrial
a Jobs change	3,753	1,397	5,150	4,636	1,726	6,361
b Density factor (sq m GIA /job)	45.0	66.5		45.0	66.5	
c Occupier demand (sq m GIA) [a*b]	168,970	92,899	261,869	208,727	114,758	323,485
d Vacancy factor (sq m GIA) [c*8.1%]	13,687	7,525	21,211	16,907	9,295	26,202
e Total occupier demand (sq m NIA) [c+d]	182,656	100,424	283,080	225,634	124,053	349,687
f Stock vacancy adjustment (sq m GIA)			24,972			24,972
g Net demand (sq m GIA) [e+f]			308,052			374,659
h Net demand (hectare) [g @65% plot ratio]			47.4			57.6

Nb job change (row a) for both 2021-38 and 2021-42 are based on the per annum average of 303 new additional jobs for the 2009-2019 period.

- 3.3 The product of the calculation is an increase in jobs over the period to 2042 of c1,200 jobs more than the period to 2038, which translates to a land requirement 10 ha higher than the demand to 2038.
- 3.4 Moving from net to gross demand requires an allowance for making good future industrial losses from committed permissions and/or plan allocations. As was the case in the 2022 study this is addressed in aggregate for core industrial and warehousing due to the difficulties in identifying separate vacancy figures for the two uses, with the data providers, CoStar in this case, identifying an aggregate vacancy figure for industrial.
- 3.5 The table below sets out the calculations to move from net to gross industrial demand.

Revised table 5.15 Industrial – gross demand in LB Newham

	2021-38	2021-42
g Net demand (sq m GIA)	308,052	374,659
Industrial losses (add to demand)		
h Planning permissions	26,276	42,924
i Plan allocations	0	0
j Total future losses (sq m) [h+i]	26,276	42,924
k Gross demand (sq m GIA) [g+j]	334,328	417,584
l Gross demand (hectare) [k/6,500]	51.4	64.2

- 3.6 Replacing the planning permission losses of industrial space takes the overall gross demand for industrial floorspace over the longer 2021-42 period to c418,000 sq m, which at a plot ratio of 65% will require 64.2 ha to accommodate all the floorspace / jobs.
- 3.7 Next, we calculate the supply figure for industrial setting this against the overall gross demand in the balance calculation that is set out in revised Table 5.17 below.

Revised table 5.17 Industrial – Demand supply balance in LB Newham

	2021-38	2021-42
I Gross demand (sq m GIA)	334,328	417,584
m Gross supply (sq m GIA)	471,265	456,296
n Balance (sq m GIA) [I-m]	+137,000	+39,000

- 3.8 As shown in the table above the higher gross demand figure in the period to 2042 means that while there remains a positive supply balance, this reduces to 39,000 sq m.
- 3.9 However, there are two significant caveats before concluding that there is a small oversupply.
- 3.10 Firstly, the calculation above is reliant on all the industrial supply coming forward. Should elements of the supply lapse for any reason the Borough would soon be in a shortfall. By promoting intensification as the main route to address industrial needs the Borough, and its plan are in conformity with the London Plan and particularly the 'proactive' ask for Borough policies set in in London Plan E7. But intensification formats are generally new the London market and, at least in the short term, not all developers may be able or willing to progress their sites until build costs stabilise.
- 3.11 Related to this is the fact that in recent years there has been some limited demand for data centres on traditional employment land in Newham in the last couple of years. This is partly because the delivery of intensified floorspace formats have been hindered by Covid and then Ukraine related build costs. But also, data centres are critical supporting infrastructure, and their nature means that employment sites are often good sites to accommodate them. However, they do not deliver significant numbers of jobs⁴– the metric used to estimate floorspace demand.
- 3.12 At the time of writing there is no data centre demand / need evidence available – from the GLA or elsewhere⁵. While Data Centres do not appear to be in significant demand in Newham, the Council is advised to adopt a monitor and manage approach and, should data centre demand significantly increase the Council may need to more aggressively seek to maximum floorspace yields when industrial sites are redeveloped – not having the option to allocating additional new land in the Borough to offset any loss of traditional economic floorspace means that intensification is the only route to deliver additional economic floorspace.
- 3.13 Where data centres form part of the employment floorspace supply this 'loss' should be made good where possible. We are aware that the GPark site – discussed in the ELR as a 40,000 sq m industrial scheme is now likely to come forward as a data centre. This approach would remove the apparent oversupply illustrated above⁶. (the numbers above include the G Park floorspace).

⁴ Note – this should not be taken as a statement that Data Centres should not be permitted on employment land.

⁵ This may be addressed in the forthcoming London Plan Review, but Rapleys are unaware of any technical approach to calculate need over the plan period. Where need/demand has been considered in a planning context it is by reference to outstanding enquiries and a willing developer at the time the decision is taken.

⁶ No other major data centre proposals are known at the time of drafting – with the exception of a 50,000 sqm planning permission at Bidder Street (24/00088/FUL). However, this was a vacant site (no floorspace loss) and had not been identified as a site for intensification in this plan. So, the Data Centre PP does not affect the numbers in this update.



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