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## GIVING THE WORKERS WHAT THEY WANT? EMBODIED CARBON, COMMERCIAL BUILDINGS, AND LONDON AS A GLOBALLY COMPETITIVE CENTRE



No self-respecting New Year's trivia quiz would go without a question on the Word or Phrase of the Year. And 2022 was such a year that there is a cornucopia of candidates for the planning system's Word of the Year, including nutrient neutrality, the Standard Method, fire safety – not to mention the proliferation of LURB-related puns.

One top contender would have to be embodied carbon, given the time now being spent discussing embodied-carbon related issues in London development, especially since the decision of the then (and now again) Secretary of State, Michael Gove, to call in the Oxford Street Marks and Spencer proposals following criticism on carbon grounds.

### THE NPPF CONSULTATION AND CARBON

Despite the host of other challenges in in-trays at DLUHC, **embodied carbon has even been included as a topic on which further consultation, engagement and reform is promised in the pre-Christmas NPPF consultation**, which must reflect growing awareness of the issue, alongside welcome proposals to change the NPPF to make the retrofitting of existing buildings easier.

Embodied carbon considerations cannot, however, be isolated from the wider economic and public policy context. Doing so could add delay to planning decisions and affect the post-Covid recovery.

The NPPF consultation does not suggest that embodied carbon should already be a key determinant in considering proposals. It instead steers towards broader considerations of sustainability and climate change<sup>1</sup>. These include “promoting development locations, designs and layouts that promote energy efficiency including by reducing the need to travel” and “by integrating these considerations into the spatial strategy for individual places.”

Whilst it does acknowledge that there “have been calls” for a broad form of carbon assessment, it **asks for evidence on whether “effective and proportionate” ways of doing this exist and how they could be used**, to inform more consultation in due course.

<sup>1</sup> Levelling-up and Regeneration Bill: reforms to national planning policy, DLUHC, December 2022, Chapter 7, para 13.

Given the exceptional public transport accessibility of central London – not to mention the not-inconsiderable amounts of embodied carbon that have been spent over the last 200 hundred years building that accessibility, most recently in the Elizabeth Line – it, and other city centres, must surely remain “development locations” that should be promoted? The business case for Crossrail, in particular, was based on supporting **more** economic activity in the centre of London.<sup>2</sup>

#### CARBON AND THE CENTRAL ACTIVITIES ZONE

**The Central Activities Zone’s (CAZ) economic importance is well known, with GVA per head of twice that of the rest of the country, representing 9.5% of the UK’s overall economic output<sup>3</sup>.** Central London remains one of the most productive sub-regions in Europe<sup>4</sup>. Its continued success is important to the rest of the country – Centre for London’s recent report on London’s importance to the UK is emphatic on the need to ensure London is “firing on all cylinders”, not least to maintain its tax base as a net contributor.<sup>5</sup>

In November the six CAZ local authorities, including the City and Westminster, under the Central London Forward umbrella, along with the Mayor, published a joint Action Plan to drive the recovery of the CAZ after Covid. A key underlying theme is making London a place to which people **want** to come. London seems to be decidedly mid-pack in terms of its Covid recovery; whilst it is ahead of New York, on metrics such as tube ridership it is still noticeably lagging Paris. It remains in the bottom 10 of UK cities for footfall and spend recovery after Covid<sup>6</sup>.

The need to decarbonise the commercial built environment is recognised – as is the huge skills and regulatory challenge – but the vision is unashamedly positive and ambitious. It seeks to promote the CAZ as a densely populated hub of activity which will provide **“a range of high quality and flexible office space...”, “a place where businesses want to locate,” “a globally competitive business centre” and “an engine of growth for the UK.”<sup>7</sup>**

The report recognises that this role **“rests on it remaining a place where people want to come to together to collaborate and to innovate. It will need to remain a place where businesses want to invest, and a place where workers want to come in to work.”<sup>8</sup>**

The key word here is “want”.

**The Mayor and the authorities are unambiguous that the CAZ needs to remain responsive to expectations.** Not just the expectations of businesses, also the individual people those businesses employ who now have more choice than ever before about whether to endure a commute to work in central London, over working from their kitchen tables, spare rooms or even local high street business hub.

London Plan Policy SD4(B) says something very similar:

**“The nationally and internationally significant office functions of the CAZ should be supported and enhanced by all stakeholders, including the intensification and provision of sufficient space to meet demand for a range of types and sizes of occupier and rental values.”<sup>9</sup>**

There is no suggestion that the ambition for the centre of London as a leading, if not the leading, global centre should be reined in or constrained to the capacity of its existing building stock, in its current configuration.

#### MEETING EXPECTATIONS: THAT “WANT” WORD AGAIN

The Central London Forward conclusions are founded on solid evidence. Not least detailed analysis for CLF by Arup (to which Gerald Eve also contributed) on the future of the office in central London.

Arup reported, in November last year, **that office take-up had recovered to average levels but that 2/3rds of this was for Grade A space**, heavily supported by pre-lets of new accommodation currently being developed. There is clear evidence of a two tier market, with values for the best quality space and secondary no longer tracking one another, but moving divergently. Capital values of prime office space in central London have almost recovered to pre-Covid levels, whilst secondary space remains 8% lower<sup>10</sup>.

Arup anticipate that demand for secondary space may be much more limited.

**The Mayor, Boroughs and employers all appear aligned on the need to provide workers and businesses with the type of space they want.** Doing so will support London’s recovery, and ensure it remains not just globally competitive, but the global destination of choice. Given the significant productivity and GVA premium of London, this is economically sensible. And this builds on at least the two centuries-worth of carbon invested in London’s exceptional – if sometimes exceptionally frustrating – transport system.

<sup>2</sup>London’s Contribution in the UK, Centre for London, November 2022, page 23

<sup>3</sup>CAZ Futures Action Plan, Central London Forward / Mayor of London, November 2022, page 6

<sup>4</sup>Ibid, p31

<sup>5</sup>Central London Forward, p26

<sup>6</sup>The future of the office in central London, Arup / LSE / Gerald Eve, November 2022, page 44

<sup>7</sup>Central London Forward, page 31

<sup>8</sup>Ibid, page 31

<sup>9</sup>The London Plan, Mayor of London, March 2021, Policy SD4(B)

<sup>10</sup>Gerald Eve analysis of MSCI data (2022), quoted in Arup, page 40

## CONCLUSION

### **Growth inevitably requires change - providing this space is going to require continued physical change to London's built environment and commercial property.**

Our experience is that proposals involving the deconstruction and replacement of existing buildings in central London have never attracted more scrutiny and planning complexity, especially on embodied carbon grounds.

They should be scrutinised – buildings contribute nearly 40% of energy and process-related carbon emissions globally<sup>11</sup>. Existing buildings should not be replaced with new without considering the carbon that doing so will emit; the CAZ Futures Plan is right to call for “retrofitting where possible, to avoid unnecessary demolition”.<sup>12</sup>

There will be cases where retrofit will not be possible. Deconstructing and replacing buildings – with well designed, carbon-efficient new buildings - will be the only way to provide the quality of space that London's workers want.

The London Property Alliance has published detailed, case-study based research on the relative roles of retrofitting and redeveloping buildings<sup>13</sup>. This concluded that, as developers increasingly pursue retrofit first strategies, **it is possible to identify an emerging set of characteristics of existing buildings where retrofit is more likely to be possible, and where a retrofitted building will create the very good quality working environments that are now being sought.**

The absence of some, or all, of these characteristics make redevelopment more likely, as the innate characteristics of the existing building mean that they could only ever provide the lower quality environments for which there is already clearly substantially less demand, lower values and the expectation that they will become harder to let.

Refurbishing such buildings may well be physically possible, but ultimately is likely to prove a misallocation of carbon if doing so does not create the sort of space that will be attractive to workers, their employers and businesses and secure the building's flexibility.

And testing very extensive ranges of options will add yet more burdens to London's already overstretched local authorities, whilst investors will be further discouraged by the greater uncertainty, whilst bearing greater costs.

There is broad-based agreement that London should provide the type of space that workers want to use, to maintain its globally competitive offer, whilst reducing carbon emissions from the built environment. This agreement encompasses the Mayor, boroughs, developers and businesses. Some existing buildings will not be able to provide this type of space. If London is planning for global competitiveness, then the planning system will need to allow those buildings to be replaced.

**Much will continued to be said about the NPPF consultation. But its recognition of broad principles of sustainability – including location and accessibility – is a welcome reminder of the inherent sustainability of central London, which local policymakers, investors and businesses wish to secure at the heart of its role as a global competitive offer.**

<sup>11</sup>2019 Global Status Report for Buildings and Construction, International Energy Agency, 2019, page 12

<sup>12</sup>Central London Forwards, page 20

<sup>13</sup>London Property Alliance, Retrofit First, not Retrofit Only, December 2022

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