

Appendix 4

Problems in defining “the City”, “the Square Mile”, and their respective office stocks and labour forces

An analysis of the prospects for the City’s industries depends on an accurate description of their current circumstances. At first glance, the correct procedure is simple. Estimates of the future requirements for office space in the City (and indeed London as a whole) can be obtained by projecting the size of the office-based labour force and making an assumption about the average amount of space per head. Reliable figures are needed for the size, the industrial composition and the location of employment in the City and London at present, and for the various industries’ usage of office space. If such figures were available, future space requirements could be estimated by forecasting the industries’ growth rates. The growth of output is a useful input, but the crucial variable is of course the growth of the various industries’ employment. It is the aggregate of the various industries’ employment which will determine the total office-based labour force.

In practice the exercise is hampered by the wide diversity of relevant sources. Not only do these sources sometimes disagree on matters of substance, but also they suffer from numerous conflicts of definition. This Appendix reviews some of the relevant sources, which express different views on employment and office use in London as a whole and the Square Mile, in order to illustrate the definitional difficulties.

The office stock in central London and “the City” in the early and mid-1990s

Several different sources give estimates of the size of the total office stock. A number of firms of chartered surveyors have prepared figures, while official (or, at least, officially-endorsed) statistics are also available. In this study four main sources are reviewed in order to get a better feel for the scale of the problem. It soon emerges that the notion of a single definite and precise estimate of “the London office stock” is an illusion. Two sources are reports from firms of chartered surveyors, DTZ Debenham Thorpe and Jones Lang Wootton, and two other sources are reports from the London Planning Advisory Committee (London Office Policy Review, published in December 1995) and the Corporation of London (Offices in the City of London, published in September 1995).

i. DTZ Debenham Thorpe

DTZ Debenham Thorpe has prepared figures which go back to 1974. These figures (later referred to as “the DTZ figures”) are available on a quarterly basis. At the start they related to the City and an area defined as “Mid Town”. Figures for the West End go back to 1983 and for Docklands to 1989. Offices in these four areas - the City, the West End, “Mid Town” and Docklands - could reasonably be called “the central London office stock”, although there are alternatives. It contains the majority of Greater London’s office stock and the overwhelming preponderance of its stock of large office buildings. However, the four DTZ areas taken together do not coincide with Greater London. DTZ estimates that at the end of 1995 the office stock was

72.22m. sq. ft. in the City, 22.99m. sq. ft. in Mid Town, 54.22m. sq. ft. in the West End and 10.03m. sq. ft. in Docklands, to give a central London total of 159.46m. sq. ft. Because the DTZ figures are continuous for quite a long period of time, they are useful for analytical purposes and will be referred to frequently in the rest of this chapter. (Note that the DTZ central London total for the end of 1984 was 138.4m. sq. ft. and for the second quarter of 1994 158.7m. sq. ft., i.e., an increase of 14.7%.)

ii. Jones Lang Wootton

Jones Lang Wootton prepared a study for the City Research Project, Property Occupational Trends by the Financial Services Sector in London in November 1994. Tables 10 and 11 of the study gave figures for the amount of "Central London" vacant space, in thousands of square feet, and also the %age vacancy rates. Their figures related to December in the years from 1984 to 1993, and to March in 1994, and are net figures for units over 5,000 sq. ft. There are implied totals for the size of the office stock. These are that the central London total at the end of 1984 was 153.8m. sq. ft., split between 64.5m. in "the City" and 89.3m. in the West End, while at March 1994 it was 180.9m. sq. ft., with 81,549m. in the City and 99.4m. sq. ft. in the West End.

JLW's figures for both "the City" and central London are plainly different from DTZ's. JLW's figures for central London as a whole are higher by 10% - 15%. As the discrepancy can probably be attributed largely to definitional differences, it should not be taken to mean that the two firms have widely divergent views on the size of the total London office stock. But the gap in the two chartered surveyors' estimates for "the City" alone is more significant. It may arise because the area covered by JLW's "City" is greater than that of DTZ's "City". (In fact, the JLW study differentiates between "the City" and the "City core", with the City core close to other sources' concept of the Square Mile.) Other reasons for conflicting estimates are differences in the definition of space (due, for example, to different conventions about common parts and the space needed for plant and boiler rooms) and differences about the nature of occupation (thus, space could be vacant or withdrawn from the market).

No further reference is made to the JLW figures in this Appendix, but the discrepancies between the two chartered surveyor estimates illustrate the difficulties in this kind of work. It is interesting that the % increase in the total central London office stock between end-1984 and the second quarter of 1994 was 17.6% according to JLW, compared with 14.7% according to DTZ. The rates of increase in the totals, although not the estimates of the totals themselves, are reasonably - and reassuringly - close.

iii. London Planning Advisory Committee's London Office Policy Review, published December 1995

LPAC's report at the end of 1995 gave detailed numbers for the size of London's office stock and its geographical breakdown. It must be accepted as the most authoritative source currently available. Interestingly, the study was undertaken in conjunction with DTZ Debenham Thorpe. Its figures for the central London office

stock are somewhat different from DTZ's, but the two sources can be reconciled. (In fact, LPAC cited DTZ Debenham Thorpe as the original source for its own numbers.)

LPAC proposed that the total central London office stock was 189m. sq. ft. at mid-1995, substantially above DTZ's figure of 159.46m. sq. ft. at end-1995. However, the gap is readily explained by differences in the definition of "central London". Whereas the series published by DTZ itself relates to four areas (i.e., City, West End, Mid-Town and Docklands), the LPAC definition includes six areas, these four and two more, "South and East" and "North and West". The estimated net stock in the two extra areas was 32m. sq. ft., virtually the same as the difference between the LPAC and DTZ numbers.

The LPAC paper also provided data on the office stock in what it termed "the Outer London Office Market". Although of little direct relevance to this study, it is interesting to note the figures. The office stock in the outer London boroughs was suggested as being 4.2m. sq. ft., very small compared with the central London stock. Only two zones were of any significance, the M4 corridor and Croydon.

The LPAC paper therefore pointed to a total office stock for greater London of almost 195m. sq. ft. in the middle of 1995, with the overwhelming majority of this in central London and the City having the largest single concentration.

iv. Corporation of London's publication Offices in the City of London

The Planning Department of the Corporation of London conducted rolling surveys of land use and employment for three periods, 1977 to 1982, 1983 to 1986, and 1988 to 1991, and published the results in November 1995. The area covered was that "bounded by the City of London local authority boundary" (i.e., "the Square Mile", as such). Note that the term "the City" in the Corporation of London's work was well-defined and more restricted than in either the DTZ or JLW estimates. There is no doubt that the Corporation of London's work was also more rigorous and detailed than that of the two chartered surveyors. However, its numbers for floorspace and employment related not to a particular quarter or end-year, but to the period covered by the survey, i.e., for the latest numbers, to 1988 - 91 as a whole.

The total office floorspace identified by the Corporation of London in 1988 - 91 was 6.7m. sq. mt., i.e., 72.1m. sq. ft., of which 54.3m. sq. ft. was occupied with employment, 6.3m. sq. ft. was occupied with no employment (i.e., plant and boiler rooms) and 11.5m. sq. ft. was vacant. 223,100 people are estimate to have occupied the 54.3m. sq. ft. of space. In other words, the average amount of floorspace per employee was 243.3 sq. ft. (This figure excludes space taken up by plant and boiler rooms. Including plant and boiler rooms, it would be 271.6 sq. ft.) The Corporation of London also provided figures for the breakdown of employment by industry in the three survey periods. These figures will be important to the later analysis, although it should be noted here that the employment breakdown related to a four-year period (i.e., 1988 - 91), not to a particular point in time.

In order to make a comparison with the DTZ numbers, an assumption needs to be made about the period to which the 72.1m. sq. ft. identified by the Corporation of London relates. The natural assumption is that it is the middle of the 1988 - 91 period, i.e., the fourth quarter of 1989. The DTZ figure for the same date is 63.5m. sq. ft. The approximate similarity of the two figures suggests that they are a fairly accurate representation of the actual situation. The discrepancy is nevertheless rather puzzling, as "the City" on DTZ's definition is somewhat larger than the Square Mile inside the Corporation of London's boundary. (The DTZ definition includes much of Clerkenwell.) The reason for the discrepancy is that DTZ Debenham Thorpe, as chartered surveyors, is interested in "net lettable floor space" (i.e., space on which rent can realistically be charged), whereas the Corporation of London is concerned about "gross space" (i.e., inclusive of corridors and other common parts).

In the rest of this study it is taken as a fixed point that the office floor space in the Square Mile was 72.1m. sq. ft. at end- 1989. In the absence of better information, a further assumption is that at subsequent dates the Square Mile office stock was 1.135 times the relevant DTZ estimates for their concept of the City. (But note that the Corporation of London does publish every six months its estimate of the office space in the Square Mile.) The DTZ figures for the central London office stock as a whole will nevertheless be accepted as reasonably indicative of the actual situation.

Total employment in central London and the Square Mile

The two main official sources for employment data are the Census of Employment and the Labour Force Survey. The Census of Employment is conducted every two years at workplaces, whereas the Labour Force Survey is conducted quarterly on the basis of residence. For the purposes of this study the Census of Employment is the more useful, as there is of course a huge imbalance between the number of residents and the number of workers in the Square Mile. One result of choosing the Census of Employment is that the latest available statistics relate to 1995. (A distinction is drawn in national statistics between employment and the workforce, which includes both the employed and the self-employed. No allowance is made in this study for self-employment in the City. According to the Corporation of London's Employment in the City of London, "Self-employed workers are not a significant factor in the City of London.")

In 1993 employment in Greater London was 3,084,000, while in the Square Mile it was 229,300. Can anything be said about employment in "central London", in the sense understood by chartered surveyors? As already noted, the 1988 - 91 survey of land use carried out by the Corporation of London found that the average floorspace per employee (including unoccupied, but not vacant, space) in the Square Mile was 272 sq. ft., and that it had been rising by about 0.8% a year since the late 1970s. If the trend to rising floorspace per employee had continued at the same rate, occupied floorspace per employee would have been roughly 281 sq. ft. by 1993. If the same floorspace/employee ratio obtained throughout the six central London areas as in the City, the total number of people at work in the central London office stock was almost 700,000. This represented almost one in four of all people at work in the Greater

London area. (A further 15,000 to 20,000 people worked in offices in the outer London boroughs.)

It is interesting to compare this figure with counts of the number of people travelling to work in London's "Central Area", as published in the City Research Project's study Meeting the Transport Needs of the City. According to these counts, carried out by London Transport, there were 1,129,182 transport-using journeys to work to the Central Area in the autumn of 1991. When an allowance is made for people not working in offices and for pedestrian journeys to work, the suggested figure of 700,000 people working in central London offices and the figure of 1,100,000 transport-using journeys are not dissimilar. Clearly, large rises in office employment would have major implications for London's transport infrastructure.

Financial services employment in the City and the rest of Greater London

Chapter 3 discussed the growth of City-type employment since the early 1970s, taking advantage of the City Research Project technique of deriving a series for employment in City-type activities by comparing the national ratio of financial services employment to total employment with that in Greater London. On this basis, City-type employment in Greater London was 250,000 in late 1995. The rapid absorption of empty office space implies that employment in international financial services within the Square Mile rose sharply between 1993 and 1995. Firm figures of financial services employment in the Square Mile of 171,500 for 1993 and 195,100 for 1995 are available. The sharp rise between the two years may seem rather ambitious, but the high figure can be reconciled with the strong take-up of office space in the two years. Chapter 3 proposed a figure for City-type employment outside the Square Mile of almost 55,000 in 1995, with the impressive increase over the previous two years due mostly to the transfers to Canary Wharf.

These three estimates for 1995 - of City-type employment amounting to 250,000 in Greater London, 198,100 in the Square Mile and 55,00 in the rest of Greater London - are fixed points for the rest of the study.

Matching up employment and office usage in the Square Mile

As already mentioned, the Corporation of London's Offices in the City of London provided a 1988 - 91 figure of 54.3m. sq. ft. of floorspace in the Square Mile occupied by 223,100 people, with a further 6.3m. sq. ft. of floorspace taken up for utilities and 11.5m. sq. ft. vacant. At the mid-point of the four-year period (i.e., late 1989) figures for total employment in the City (271,000) and employment in financial services (202,300) are available from the Census of Employment. By implication, almost 48,000 people worked in the Square Mile outside offices, while office employment in activities other than financial services was slightly more than 20,000.

Figures for the key employment categories in 1995 are discussed in Chapter 6, but a warning is necessary that it has involved compromises between the various sources and a fair degree of "guess-timating". The following numbers emerge as a basis for analysis.

Office space in the Square Mile	80.6m. sq. ft.
Empty space proportion (i.e., “vacancy rate” plus space unoccupied and withdrawn from market)	15%
Occupied office space in the Square Mile	68.5m. sq. ft.
Floorspace per person, inc. common parts and space for utilities	315 sq. ft. (cf. 270 sq. ft. in 1989)
Implied total office employment in Square Mile	217,500
Estimated financial services employment in the Square Mile	195,100
Implied non-financial-services employment in the Square Mile	22,400

These numbers are fixed points for the forecast in Chapter 6 and the discussion in Chapter 7.