



Creative Places Create Value

The Impact of Creative Workspace
on Local Residential Property

About the Creative Land Trust

Creative Land Trust is a charity launched in 2019, supported by the Mayor of London, Arts Council England, Bloomberg Philanthropies and Outset Contemporary Art Fund. The charity was set up to tackle a long-standing problem for London and other cities – the rapid loss of affordable workspace for artists and makers, presenting a serious threat to the wellbeing and prosperity of a city and country renowned for creativity and culture. We're making space for art.

About Creative Estuary

Creative Estuary has a vision to forge a new future founded on creative energy and innovation, along the length of the Thames Estuary. We're going to do this by developing the places where the creative industries can build a vibrant and prosperous future, enriching communities and strengthening the region. Creative Estuary has been made possible through investment from the Cultural Development Fund from the Department for Digital, Culture, Media and Sport which is administered by Arts Council England. The project is led by the University of Kent on behalf of a consortium of public sector and cultural organisations.

About Get Living

Get Living is the UK's leading build-to-rent operator – offering simple, straightforward living in brilliant urban neighbourhoods, where our resident communities enable independent businesses to thrive. Get Living support the creative sector in London, where they have launched The Lab E20, a sustainable design centre produced by Christopher Raeburn.

Get Living's £2 billion portfolio comprises 3,000 homes for rent across three neighbourhoods: East Village and Elephant Central in London and New Maker Yards at Middlewood Locks, Manchester. Further neighbourhoods are planned in Leeds, Lewisham and Glasgow, with ambitions to grow the portfolio to 15,000 homes within five years.

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RAW studios, Royal Albert Wharf
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Contents

1 Executive Summary

2 Introduction

- 2.1 The Brief
- 2.2 Our Approach
- 2.3 Research Overview

3 Quantitative Analysis

- 3.1 London Case Studies: Property Performance
- 3.2 Thames Estuary Case Studies: Property Performance
- 3.3 Price Analysis: Exploring the Relationship Between Creative Workspace and Residential Demand
- 3.4 Risk Analysis

4 Qualitative Analysis

- 4.1 Expert Insight, Developers: Planning Consent Catalyst and Long-Term Value
- 4.2 Expert Insight, Operators: From Make-do-and-Mend to Creating Cultural Assets
- 4.3 Expert Insight, Estate Agents: Community View and Impact on Buyer Demand

5 Case Studies

- 5.1 London Clusters
 - A1 - Hackney Wick
 - A2 - Woolwich Dockyard
 - A3 - Tottenham
- 5.2 London Schemes
 - B1 - Galleria, Peckham
 - B2 - Bow Arts, Royal Albert Docks
 - B3 - ASC Arthouse, Croydon
 - B4 - Second Floor Studios, Wembley

5.3 Thames Estuary Case Studies

- C1 - Margate
- C2 - Southend
- C3 - Basildon
- C4 - Thurrock
- C5 - Medway

6 Acknowledgements

7 Appendix

- 7.1 Literature List
- 7.2 Detailed Risk Analysis

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Affordable studios in the Trampery on the Gantry / Here East/ Hackney Wick
(© Rory Gardiner)

Values in creative clusters outperformed the London average by 4.4% per annum over 10 years.

Values in creative clusters in the Thames Estuary outperformed the area average by 3.3% per annum over 5 years.

1 Executive Summary

The contribution of creative industries to the wider economy is not in dispute, as the relevant literature reflects. We know that the presence of creative industries within communities has not only a social value but a wider economic value, too. The flow on to residential values is generally understood but not singled out and explicitly recorded, and often it is an uncomfortable truth.

Successful places are attractive and desirable, which stimulates demand for residential property. The discussion of price growth is problematic, especially when associated with creative industries, because there is a history of displacement. For investors and developers, successful development and price growth are inextricably linked. When a place is successful, it translates into demand and value. For this reason, the relationship between creative workspaces and value has generally been avoided in the literature, until now.

The ultimate purpose of this research study is to help expand the provision of affordable workspace for creatives by presenting developers with evidence to show that creative workspace can make an important contribution to financial value in a residential-led development.

The task was to quantify the relationship between the presence of creative workspace and positive change in residential values, attributable to the presence of that creative space. It does so by translating the widely acknowledged 'soft value', into a 'hard value' that can be accepted by investors and developers for use in evaluating development opportunities and encourage them to re-examine the risk-return trade-off, of creative workspace as a ground floor use.

An important finding is that many developers are recognising, and indeed lauding, the contribution of creative workspace to the community, vitality and the wider economy. There is widespread understanding that these things all have an impact on the long-term success of a place and there-

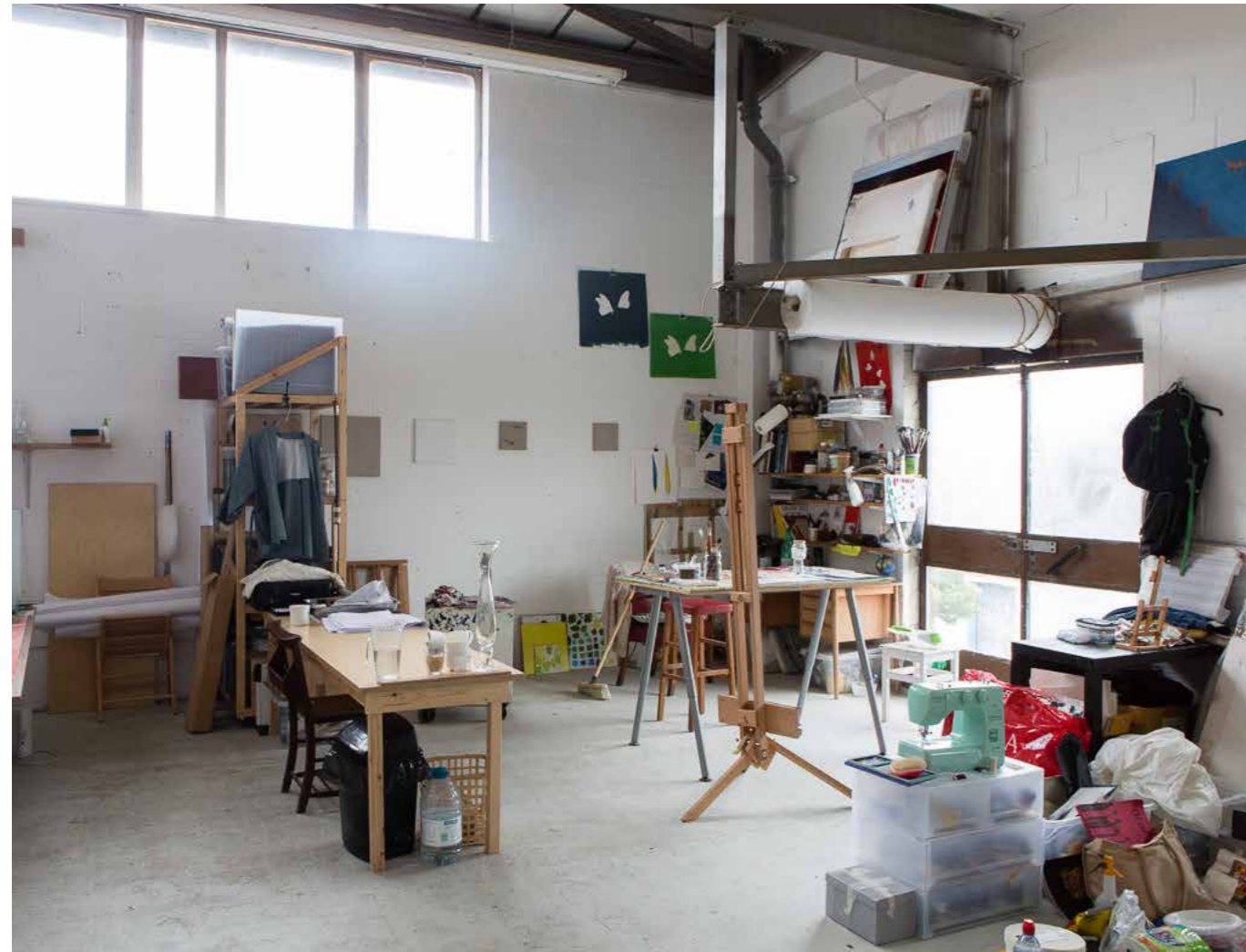
fore, an implied contribution to value. Isolating and quantifying the specific financial value that can be traced back to the presence of creative workspace is challenging. This kind of value is often accrued over the longer term, tied up with other contributing factors and does not necessarily exceed the value of an alternative use at the outset.

There are, of course, many competing uses within a development. The typical developer model will look to the higher values achievable for that space, if only to minimise risk. Thus, for creative workspace to be present in a development, it must take the place of an alternative use. In most cases, the alternative use will have a higher financial value, at least in the short term, whether that is additional residential or a different kind of commercial use. For developers to be encouraged to make creative workspace part of a scheme, evidence that shows how values can outperform over the longer term is useful.

Where policy intervenes, the equation, even at the outset, is often tipped in favour of creative workspace. For instance, where the developer is required to preserve or provide employment space, the range of alternative uses is restricted, and the case for creative workspace is greatly strengthened. This research demonstrates that professionally managed creative workspace is often a more viable and financially attractive option than other commercial uses because it offers long-term secure income, which is particularly appealing in uncertain times.

Moreover, if the character of an area is strongly associated with creative

1 Executive Summary



industries, demand for residential is bolstered by people who want to live in a creative enclave and the market favours creative space.

Consequently, it must be possible, in the right circumstances, to identify a metric that demonstrates to a prospective developer that making space available for creative workspace in a predominantly residential development is a commercially sound decision.

To this end, this research analysed trends in sale and rental values for residential property in parts of London and the Thames Estuary where there are clusters of creative workspace.

It recorded outperformance in price growth for the residential property in the locality, taking outperformance over and above the area benchmark as an indication of value created by the presence of creative workspace. This gave us the value-add metric. In London, the value-add metric is 4.4% per annum (measured over 10 years) and in the Thames Estuary, it is 3.3% per annum (as a more emergent market, this was measured over 5 years). This outperformance is not smooth or consistent over time or place, and there are many factors at play, nevertheless, for these clusters, there was an association with the presence of creative workspace and outperformance (in residential price

terms). An association is not necessarily a causal link. The next step was to challenge and corroborate the headline value add metric. The research examined some of these creative clusters in more detail and where possible, looked at examples of creative workspace within a new build scheme. Likewise, interviews with stakeholders and experts explored what else might be contributing to price outperformance in these places and the likelihood of this outperformance being replicated in any development that included creative workspace.

1 Executive Summary

The case studies showed the success of the inclusion of creative workspace within a new build scheme was dependent on factors including the scale of the creative workspace, the operator, visibility and community engagement. Bow Arts at Royal Albert Wharf is a prime example of the value creative space can add.

Of course, within large-scale regeneration, there are other positive contributions from a range of amenities and well-recognised brands; creative workspace is only one ingredient. However, with a growing number of examples, it is clear that developers are increasingly willing to value its inclusion.

Developers corroborated the view that each site had to be evaluated in its own right but that, in certain circumstances, the inclusion of creative workspace had acknowledgeable benefits, even more so where there was a need to protect employment space. The visible benefits relate

to the life and vitality that creative space can bring. These benefits can be enhanced with active curation, expert management and community engagement. Creative workspace is considered 'a good neighbour' for residents, compared to some other commercial uses. The long-term commitment from workspace operators is attractive to investors (and thereby impacts yield).

The risk analysis in this research demonstrates that creative workspace as a ground floor use in a residential development does not introduce any additional risk and can increase investment value because where there is a good covenant and secure long-term income (or a long leasehold sale).

The way in which operators have evolved their approach is also critical to this dialogue. Creative workspace operators actively seek early involvement in new build schemes, wanting to be involved in the design of the

space and showing a willingness and financial ability to commit to the long-term. Active engagement from the outset is valuable to both parties.

Feedback from estate agents (as a means to explore residents' views) confirmed that a particular sort of buyer actively favours a creative community, which certainly underpins demand in the locality. Other residents, whilst not explicitly recognising the value of creative workspace appreciated the amenities that bring life and vitality to their local community. This local 'buzz' is even more important since the pandemic, as many people spend more time locally.

The role of engagement was emphasised in all our interviews. It takes passion, engagement, expert curation and a change in mindset from developers for the value of creative workspace to be maximised. Where these factors align, there is evidence of the value add to be accrued.

Left
Existing artist studio
in Hackney Wick
(115 Wallis Road)
(© Cell Studios /
Marielle Amelie)

Right
New residential
development with
creative workspace at
84 Wallis Road/
Hackney Wick
(© Cell Studios)



Key Findings

This research found a positive association between creative workspace and residential property values.

4.4% per annum outperformance during a 10-year window in London.

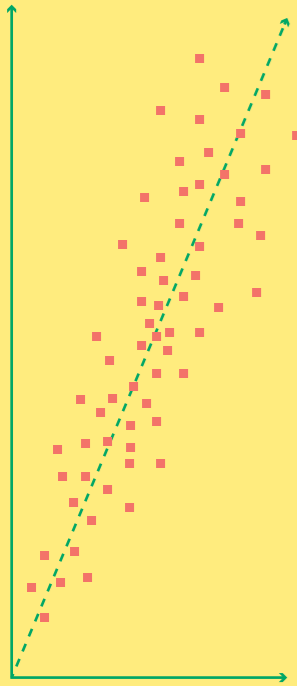
3.3% per annum during a 5-year window in the Thames Estuary

The outperformance is similar to the effect associated with regeneration, green or blue space, popular schools, or certain grocery stores.

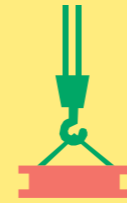
The association is more robust where there is a cluster of creative workspaces.

Successful creative clusters become place brands in their own right. For instance, Margate and Hackney Wick have become international brands in their own right.

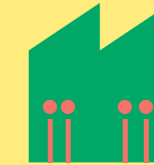
A single creative workspace operator can bring life to an area before housing is offered for sale, e.g. Bow Arts Trust at Royal Albert Wharf.



Long-term commitment is critical on all sides:



For the developer, it brings income security, reduced void risk and improved yield.



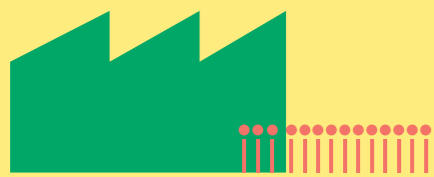
For the operator, it brings security for their occupier community.



For residents, it means a stable, sustainable neighbourhood.

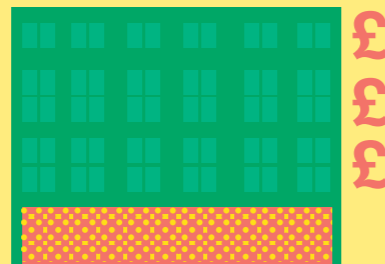
Creative workspace is a good neighbour.

Creative workspace brings vitality to a community without being disruptive, especially when it is present at scale.



There is significant unsatisfied demand for creative workspace, more than one thousand named applicants.

Creative workspace as a ground floor commercial use does not add material risk and can add value.



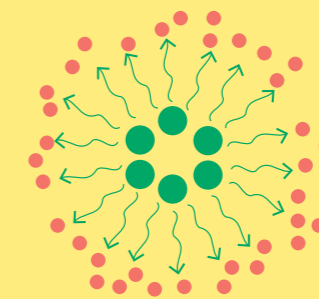
The covenant of many workspace operators is potent, and the artists themselves tend to be stable and reliable occupiers.

The new model of creative workspace operators committing to purpose-built long-term secure leases has real value.

Operators need scale, longevity and early involvement.



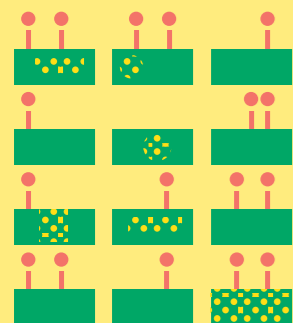
usually at least **10,000 sq ft** and ideally **20-25,000 sq ft.**



Creative activities contribute to successful placemaking.

London's Creative Enterprise Zones will act as a catalyst.

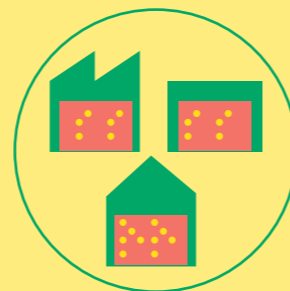
Creative clusters can be kick-started by regeneration or evolve organically.



The perception of artist and creative workspace as casual, chaotic and transient is misleading.

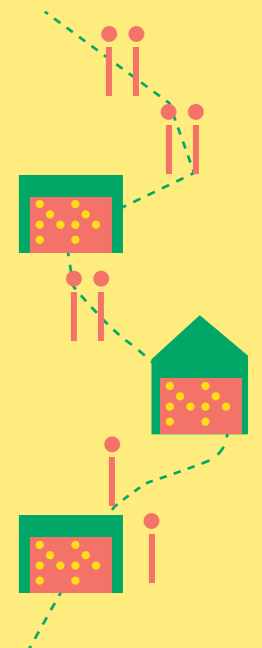
Creative workspace satisfies planning obligations to protect employment space

e.g. Galleria development, studio space by ACME, and ASC Arthouse in Croydon Grafton Quarter.



Cultural landmarks help create place identity.

e.g. Turner Contemporary in Margate, and the strong halo impact of the Queen Elizabeth Olympic Park.





2 Introduction

What the developer sees is artists hanging out in what appears to be chaotic studio space; they don't see that it is actually a very well-organised, well-structured business model which is hugely effective at delivering high-quality environments and workplaces

Selina Mason (Lendlease)

- 2.1 The Brief
- 2.2 Our Approach
- 2.3 Research Overview

Left
Matchmakers Wharf
Homerton
(© Morley von
Sternberg)

2 Introduction

2.1 The Brief

1. Our brief was to undertake research to investigate and quantify the value added by creative workspace in new residential developments. To date, there is no widely accepted model for demonstrating projected investment returns resulting from the inclusion of artists' and makers' workspace in particular, or of the impact on liveability, desirability and nearby economic activity, and therefore a property's value.
2. The primary objective of this study was to prove the positive relationship between the presence of creative studio workspace and demand for residential property. It accepts the premise that an increase in residential value is a key indicator of demand.
3. It is anticipated that the results of the work will be used with landowners, developers and investors to demonstrate the opportunity to optimise not only the social and cultural value that creative workspace can bring but also the financial value of residential/commercial projects.
4. The brief asked that any evidence from quantitative analysis should be backed by qualitative dialogue and expert opinion. To this end, the research asks: what is it that stops more developers from incorporating creative space? Are there hurdles to investment? What do residents think? What are the lessons to learn from operators?

2 Introduction

2.2 Our Approach

Our approach incorporated both quantitative and qualitative research, drawing too on existing published work. The approach varied slightly between the London and Thames Estuary locations, dependent on data availability and maturity of the market. Our distinction between Thames Estuary (Kent and Essex) and Greater London was helpful for the purpose of this study to reflect differences in character. However, in reality it is a continuous geography, and neighbouring places may have much in common. The Thames Estuary Production Corridor reflects this and spans both geographies.

Literature review and international case studies:

A literature review explored published research on creative workspace and its impact on property values, including examples of creative clusters overseas.

The quantitative element of this research had three components:

Analysis of house price data:

Firstly, the research examined house price data in a range of time periods and creative workspace locations, to look for price change or price differentials associated with the presence of creative workspace. The resultant matrix formed a framework to assess and compare performance and help quantify the value added by the presence of creative workspace.

Case studies of clusters and schemes:

Across London and the Thames Estuary, case studies were selected for a closer examination of residential demand. These were either creative clusters (localities with multiple creative workspaces) or standalone schemes where creative workspace had been included in a residential scheme.

Risk analysis:

A development appraisal, based on a hypothetical residential scheme, formed the basis of a risk assessment by modelling three different scenarios for ground floor use.

The qualitative research included expert interviews and a short questionnaire survey to canvas views on the relationship between creative workspace and demand for and/or value of, residential property. These interviews included:

- **Residential developers:** to explore the range of attitudes towards creative workspace in a new build residential scheme, the role that planning takes and how value can be recognised.
- **Estate agents:** to explore community attitudes and understand drivers of buyer / rental demand.
- **Creative workspace operators:** exploring the evolution of operator business models, lessons in management and how curation relates to community engagement, something that stems directly from the fact that many operators are charities.
- **Local authorities:** to ensure the research picked up on the important local dynamics of the creative community, especially for less mature markets.

2 Introduction

2.3 Research Overview including international case studies

A valuable but vulnerable asset

Until around 2014, artist workspaces tended to be addressed only in the context of affordable workspace generally, rather than in relation to the specific needs of artists. The situation was such that Future of London (2017) observed that:

Artist spaces tend to fit more easily into mixed-use schemes and there are examples throughout London. However, while supply and demand for industrial space is monitored, data on artists' spaces isn't tracked by local or central government. There is a substantial knowledge gap about the supply and demand for artists' workspace. (p17)

We Made That (2014) made the first widely recognised comprehensive survey of artist workspace in London, on behalf of the Mayor of London: *The survey has uncovered that the supply of artists' studio space in London is higher than previously recorded. We recorded 298 separate studio buildings or sites, catering for over 11,500 artists across the capital... artists' workspace is a diverse field generally characterised by scarce resources. Studio providers and artists have therefore developed a number of models to ensure that space remains affordable. (p7)*

Artists are often indirect victims of their own success, and, having contributed to positive placemaking in an area, may find that they are no longer able to afford to remain there once property values begin to rise. *The average rent across the main studio providers is £13.73 per sq ft per annum, though a significant amount of studio space (19%) is rented at £8 per sq ft. (ibid)*

These are very low rents, reflecting the secondary locations that artists tend to inhabit. But the research adds: *Studios in our study show very high and continuous occupancy rates, indicating consistent levels of demand. An estimated 3,500 artists are on waiting lists. Furthermore, each year 35,000 students graduate from Art & Design Colleges in London. (p8)*

Future of London (2017) found a similar pattern: *Industrial, maker space and studio operators we spoke to had long waiting lists, indicating strong unmet demand. (p5)*

It is this consistency in demand that consolidates values, and paradoxically leads to artists being pushed out as general regeneration occurs. *Affordable artists' workspace is a valuable, yet vulnerable asset in London...the sector is largely reliant on providers operating on a not-for-profit or charitable basis in order to keep rents within reach...it is clear that the market will not by itself address sustained provision, thus jeopardising this key component of London's cultural and social vibrancy. (We Made That, 2014, p8)*

In a 2018 data update, We Made That found: *67 per cent of sites identified in 2014 as at risk of closure within 5 years had closed by November 2017. (p5)*

The risk of closure remains high, and 24 per cent (57) of current sites providing artists' workspace are at risk of closure within the next 5 years. This because so few organisations own the freehold to sites (around 13 per cent). (ibid)

But also:

Between 2014 and 2017, 52 new sites providing artists' workspace opened - a net gain of 13 sites. Mayoral regeneration funding has supported 4 of these sites. (ibid)

Despite the new supply: *Workspaces are becoming more expensive. In 2014, 56 per cent of sites charged an average of £11+ per square foot. In 2017, this had risen to 79 per cent of sites (...). Sites show very high and continuous occupancy rates. There appears to have been no decline in demand from artists for workspace since 2014. (p6)*

It is manifestly evident that churn is an existential condition for artist workspaces. This should not be too surprising, given their tendency to be pioneers in areas on the cusp of regeneration.

Artist workspaces and regeneration

Despite this pressure, affordable workspace has been widely regarded as a key aid to regeneration and artist space; and by 2016, artist workspaces were explicitly acknowledged as a distinct element of this market (IPPR, 2016) under the umbrella term of open workspaces. They were seen as resources, with flexible access and an element of curation, but with great variation within these three parameters.

The provision of affordable workspace, mainly for smaller and lower margin firms, has been a key focus of public policy for many years. In the early-2000s, there was a growing concern in London that property values were rising to such an extent that

2 Introduction

2.3 Research Overview including international case studies

small businesses were being forced out and that this was exacerbated by pressure to release employment land for housing.

The advantage of Open Workspace is seen as well suited to small and growing organisation, could offer business support services facilitates peer-to-peer interaction. They can also support economic growth – especially in bringing redundant space back into use, even though measuring the exact contribution is challenging.

The role of affordable workspace generally, and artist workspaces in particular, in placemaking is also widely acknowledged, as is the cultural value they bring:

Powerful discourses and practices have emerged in recent decades that link cultural investment and activity not simply to understanding the city but to changing it. (Crossick & Kaszynska 2015. (p74)

In particular the creation of creative quarters is a distinctive dimension of the wider regeneration narrative, privileging smaller-scale initiatives in contrast to the dominant focus on big infrastructure projects. (ibid)

Research by Creative United, commissioned by ACE and GLA to investigate the UK's existing creative workspace provision, describes the on-going challenges to sustainability and identifies the emergence of new forms of provision and potential additional funding models. It also showed that the provision of affordable artists space is primarily met by charitable or not-for-profit organisations. More than 82% of artists' workspace providers

explicitly aim to supply affordable space, or provision occurs through charitable or not-for-profit endeavours (p10). That is to say, artists workspace and makerspaces generally are not seen as commercial enterprises. But:

Such creative spaces and communities have also been shown to have a wider economic and social value, helping to regenerate areas by stimulating local business growth and attracting inward investment and infrastructure development, without (in the main) disenfranchising local incumbent communities. (Creative United 2016, p1)

Creative workspaces are a core infrastructure for the vibrant and dynamic creative economy (ibid). They deliver economic, social and cultural benefits that have especially supported regeneration activity – as artistic communities have occupied under-invested sites and supported the redevelopment cycle.

These cycles leave many workspaces and communities vulnerable – on short-term leases, undesignated and exposed to the broader dynamics of the property development process. Vulnerability driven by property markets is especially acute in London, which dominates the provision of creative workspaces and studios.

As old models of “find a space and occupy” become increasingly impractical over the long term, new approaches and solutions are emerging around such aspects as permanent occupation and ownership, regional hub – London presence, and mixed partnerships.

According to Creative United: *“Such innovations and approaches need support to ensure maximisation of the economic, social and cultural benefits of creative workspace development for local and regional economies”. (p10)*

According to Creative United, feedback from commercial developers suggests that for them to consider responding seriously to the issues facing creative workspaces it would require financial incentives, economic impact evidence and accompanying policies from key decision-makers and legislative/executive bodies such as national and local government. Small, incremental changes will not suffice.

A number of factors can limit the success of policy: the nature of legal agreements, the requirements of financiers, limited Council resources and reliance on delivery partners. (Ferm, 2016)

This is the key challenge faced in the provision of artist workspaces.

Funding space

Relatively little work has been done to investigate the issue of financial viability, with research sometimes taking absence of viability for granted. Creative United (2016) seems to assume that, for creative space, commercial viability is not a factor. Its recommendations regarding finance are:

- Identify grant funds to refurbish property.
- Identify existing funds that may support establishment.

2 Introduction

2.2 Research Overview

– Identify opportunities to develop small pots of cash from alternative finance such as crowdfunding. (p23)

It is assumed that mainstream funding is not available.

Beunderman et al. (2018) define a ‘New London Mix’ in an attempt to offer a viable model. This mix is: *(...) the close co-location of light industrial, distribution and productive workspace with homes in a way that works for occupiers and residents (p2) - arguing that it can (...) increase the amount and range of employment space - not just to achieve ‘no net loss’ of employment space, as is currently the stated aim of current policy, but to achieve ‘net gain’ across London – and build better places. (p13)*

Their focus is on a much wider base of occupiers than artists. However, this model envisages, inter alia, around 4,000 sq m of light industrial space under 120 apartments. The authors argue that it is currently viable in West London and near the CAZ, and that a tipping point exists around Tube Zone Three, where values that support this concept weaken, and that viability worsens further east.

A new briefing note prepared by Savills and the BCO reflects a new attitude:

Whereas previously artists were displaced in the process of gentrification or regeneration, now many authorities and developers are seeing artists as central to their regeneration proposals. (Savills/ BCO, July 2021)

Adding that while its research was written about London and in the context of rising costs:

Many of the measures in the new London Plan1 are relevant to other cities struggling to maintain the diversity of their economic ecosystems.

Separating an analysis of artist workspaces from the wider analysis of affordable workspaces is challenging. Nevertheless, it has been established that there is strong demand for artists workspaces, but this demand is not financially able to pay market process for what is, essentially, a variant of light industrial space. There is an implicit assumption in most analyses that artists’ workspaces are inevitably non-commercial. While efforts have been made to develop models to overcome this, they remain largely untested and therefore unproven.

International experience: from mixity to movieland

The value of creative workspace is not only recognised in the UK. Three diverse examples from France, Australia and the United States illustrate this diversity. Although we do not have access to exact figures to understand the impact of creative workspaces, all three case studies represent successful creative clusters that have directly contributed to a thriving real estate market.

Sydney demonstrates that effective management is vital to delivering

sustainable creative workspaces. The LA design district is part of a mature high-value residential market, and its creative culture is part of an integrated marketing strategy to attract affluent buyers.

In Nantes, the process is more organic, almost happening by chance. Creative workplaces and large-scale residential developments benefit from each other. From the conversation with the development agency SAMOA in Nantes, we understand that, although prices have been rising, new residential schemes continue to integrate creative workplaces at ground level. This is seen as a vital contribution to placemaking and part of an overall economic strategy.

Île de Nantes

The closure of the last shipyard on Île de Nantes came as a trauma to the city and the 600,000 people in its metropolitan area. The regeneration of the 5km by 1km island is led by SAMOA, a privately structured but publicly-owned development agency. The regeneration is explicitly culture-led, with the proof of concept shown when the initial team took

2 Introduction

2.2 Research Overview

over a 25,000 sq m warehouse. They invited artists to use the space, and it quickly became a vibrant cultural centre and helped persuade the shareholders that culture and creativity was the way to lead development.

Central to the project is the notion of Mixed City (pronounced ‘mixity’), an active mixing of uses and activities.

SAMOA draws a distinction between ‘creative’, which is market oriented and ‘cultural’, which is more hybrid and may involve subsidy. SAMOA generates its revenue by selling the right to build, seeking to exploit the power of culture to bring about economic development. Great use is made of temporary spaces – where temporary may mean ten years – to bring life to zones on the island, an example being Le Karting – a former kart track transformed into 40 small spaces for visual entertainment media. Most iconic, however, is Les Machines de L’île, an idiosyncratic collection of art installations with its elephant serving as an icon for the whole regeneration.

There is also no fear of experimenting via prototypes. Indeed, the initial use of the warehouse to serve artists was such an experiment, and success was not initially expected. A more conventional, for the time, office-led scheme was envisaged. This knowledge has had multiplier benefits such that developments that are not part of the scheme tend to mix in affordable space, since it seems to help homes sell more quickly. The project runs until 2037, but already half of the people who move to Nantes settle on the island.



Sydney

On the other side of the world, Sydney has seen multiple art-led regenerations. South of Central Sydney, work redeveloping a former industrial area at Green Square started in 2007 but progressed slowly. Then in 2012, the redevelopment of the old Sydney Hospital nurses’ quarters began as restored community space.

The Joynton Avenue Creative Centre was launched in 2018 and houses over 25 artists, creative practitioners, organisations and start-ups, as well as supporting creative education programs, jewellery making and cultural events. Not far away, SQ1 offers a: “creative platform for the visual arts and contemporary culture, including 40 artist studios.”

Success has not been without hiccups. In 2007, the historic former Eveleigh Railway Workshops at Redfern were transformed into a cultural precinct with resident artists, claiming to be the most significant multi-arts centre in Australia. However, it had been operating on a month-by-month lease since 2017, and the COVID-19 pandemic led to it going into administration, owing Aus\$2m in May 2020. In July, a government-backed rescue package was approved, but the problems faced by Carriageworks do illustrate the need for sound finances.

Los Angeles

The West Hollywood Design District, originally the Avenues of Art & Design, is a cultural destination for high-caliber design, art, fashion, dining, beauty and more, initially encompassing more than 200 businesses. It was established as a Business Improvement District as long ago as 1996 and, when renamed in 2013, supported more than 300 businesses.

The West Hollywood Design District Streetscape Master Plan was adopted in summer 2013. It was developed with the help of a consultant team and a community working group, composed of over a dozen business owners and residents in the area.

During the adoption of the plan, City Council requested that the identified public gathering spaces be further developed through a community design process. Phase 2 of the scheme aims to bring public realm improvements, including a new public meeting space, to fruition by 2025. This is a more conventional route to urban renewal that illustrates the value of building on existing strengths.



Top

The Joynton Avenue Creative Centre, Sydney.

(© Michael Nicholson)

Left

The Alstom Warehouses / Nantes

(© Luc Boegly)



3 Quantitative Analysis

Our view is that creative engagement has an enormous impact. It is difficult to measure but we recognise the value as massive and work alongside developers and investors who recognise this, as we do, with a different mindset and approach.

Ken Dytor (Urban Catalyst)

- 3.1 London Case Studies: Property Performance
- 3.2 Thames Estuary Case Studies: Property Performance
- 3.3 Price Analysis: Exploring the Relationship Between Creative Workspace and Residential Demand
- 3.4 Risk Analysis

Left

RAW studios at Royal Albert Wharf
(© Delvendahl Martin Architects)

London Case Studies

Property Performance Summary

SECOND FLOOR STUDIOS, WEMBLEY



Emerging: Second Floor Studios is one element in this enormous regeneration scheme.

Performance data: 28.3% (2.8%)
Maturing cluster: Benefiting from a creative spill-over effect from Hackney Wick. Growing in scale and importance.

TOTTENHAM
2008-2018
2.8%

HACKNEY WICK
2009-2019
8%

Performance data: 81% (8.1%)
Mature cluster: Globally recognised creative cluster. Changes in this market really gathered a pace from 2012 and following the London Olympics.

Emerging: Bow Arts has been very successful in bringing this new residential area to life.

BOW ARTS, ROYAL ALBERT DOCK

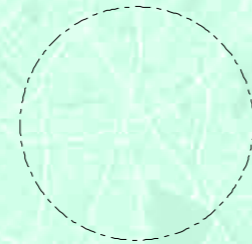


Performance data: 3% (0.3%)
Mature cluster: Significant scale of creative workspace but limited residential in the immediate vicinity. A potential opportunity area.

WOOLWICH DOCKYARD
2008-2018
0.3%

Maturing: At its inception (2005) The Galleria was a ground-breaking creative workspace development in partnership with housebuilder Barratt. Since the opening of The Galleria, a cluster of other creative workspace has grown up around it.

GALLERIA, PECKHAM



Emerging: Croydon has seen significant regeneration. ASC Studios at the Grafton Quarter is one of the first purpose-built studios here.

ASC STUDIOS, CROYDON



44%
total price outperformance of London's key creative clusters over 10 years

4.4%
per annum price outperformance of London's key creative clusters

Source: Dataloft, Land Registry

Creative Enterprise Zone

Best window of 10-year outperformance total

Best window of 10-year outperformance annual equivalent

Case Study (schemes) - no comparable data

NB values are benchmarked against London property price performance.

Headline analyses of London's key creative clusters showed an associated average outperformance of 4.4% over a 10-year window.

This outperformance finds evidence for a link between the clusters of creative workspace and residential demand, expressed as house price growth.

The research then focused on case studies to explore this association in more detail. The case studies were both clusters of creative space and stand-alone large

purpose-built workspace within a residential scheme. For most of the creative workspace within a scheme, it is too early to assess the impact on the surrounding residential and readily comparable data is yet to emerge.

The London case studies used a definition of creative workspace, based upon the GLA Cultural Infrastructure map. As the map highlights, many of these case studies fall within or near Creative Enterprise Zones.

Thames Estuary Production Corridor Case Studies

Property Performance Summary

Emerging:
Creative sector is emerging at this location. Proximity to London is a clear advantage. Initiatives to raise cultural profile: BasildON.

BASILDON
2014-2019

2.9%

14.6%

Emerging:
Has a growing network of creative businesses with industry experience, working within the town based in physical workspace or working from home and serving clients remotely.

SOUTHEND
2015-2020

1.0%

4.9%

THURROCK
2013-2018

5.0%

24.3%

Maturing:
This location has been very successful at attracting powerful brands like the Royal Opera House. The arrival of creative space has accompanied residential regeneration, the latter a likely key driver of price outperformance to date.

MEDWAY
2010-2015

1.2%

6.0%

Emerging:
Medway's creative journey has gathered pace recently. The flow on to residential demand is likely to build with its creative ambitions laid out in Medway's Cultural Strategy. Earlier price outperformance likely driven by other factors.

MARGATE
2013-2018

6.7%

33.5%

Mature:
Margate, regarded as a cultural hub and global 'brand' in its own right. Clear step change in residential pricing in 2017.

16.6%
total price
outperformance
of Thames Estuary's
key creative clusters
over 5 years

3.3%
per annum price
outperformance of
Thames Estuary's
key creative
clusters

Source: Dataloft, Land Registry

Analyses of these Thames Estuary locations showed on-average price outperformance in these creative clusters relative to the wider market. This outperformance was 3.3% per annum, derived from total outperformance of 17% over the 5 years. All these clusters are explored in more detail in the case studies.

For the Thames Estuary, as a more emergent creative location, there is a looser definition of creative workspace including a wider range of creative uses and often smaller scale premises. The location selection was led by Creative Estuary's knowledge of the key creative clusters across the area.

Best window of 5-year
outperformance total

x%

Best window of 5-year
outperformance annual
equivalent

x%

NB values are benchmarked against Thames Estuary (Kent and Essex) property price performance.

3 Quantitative Analysis

3.3 Price Analysis: Exploring the Relationship Between Creative Workspace and Residential Demand

It has long been acknowledged that creative space can bring life and vibrancy to an area. Historically, this has been organic. Creatives seeking affordable workspaces found them in old industrial land on the city fringe, like Hackney Wick or Woolwich Dockyard in London, or in areas with the lifestyle appeal of heritage, natural landscape, and lower land values, like Margate in the Thames Estuary.

Clusters of creative space over time gained critical mass and recognition. Successful places attracted demand for housing, and in a market economy with constrained supply, demand almost inevitably translates into rising property values, unless there is some intervention to prevent it. The thorny relationship between development, demand and values is at the core of this research. When a place undergoes material change for the better, it is generally expressed in local property values, which go through a period of outperformance or a 'step change'. This part of the analysis seeks to quantify this outperformance.

This relationship is not hard to verify, but there are, of course, a multitude of factors that influence house prices. The starting point here was to analyse house price data in various locations recognised as clusters of creative workspace, analysing over various time frames, seeking to identify the level of outperformance in house price data relative to the wider market.

Research approach: London

For London, the GLA Cultural Infrastructure map provided a base of knowledge from which to identify postcode sectors (e.g. E9 5) with the greatest number of creative workspaces. It showed seven postcode sectors that had more than seven creative workspaces. These had sufficient critical mass to test the relationship.

The presence of creative workspace is constantly changing across London, sometimes existing in temporary and meanwhile space. Focusing on these larger clusters gave confidence that, whilst the location of studios is ever evolving, these areas have an established association and are likely to accommodate a longer-term creative community. Also, the presence of multiple creative workspaces is likely to indicate a wider creative community.

The dates at which any step change in values might occur varies from locality to locality, depending on individual conditions. For that reason, house price data was analysed over varying 10-year time frames, to identify the best performance window where a step change in values was evident.

Research results: London

The evidence suggests there is a financial value to the benefit creative industries bring to these areas, expressed in house price data. Over a 10-year time frame, this amounts to 4.4% per annum price outperformance above the wider London residential market, a total of 44% over 10 years.

There are of course, other reasons for this strong house price performance. Nevertheless it seems likely that the creative value in these communities helped to strengthen residential demand. These locations appealed to potential buyers and many will be familiar as creative hubs. Hackney Wick, of course, is the standout example alongside other Hackney postcodes (E3 2) and (E8 2).

London City Island is a key example of where there is a bigger story at play than just the beneficial influence of creatives. This area has seen significant investment and regeneration, with well over 1,500 new homes sold in this postcode over the last few years (the window of analysis was adjusted for this market).

It was harder to pin down outperformance over a 10-year window for the Woolwich cluster, as Woolwich's numbers were more volatile, and there were short periods of residential outperformance (Woolwich is examined in more detail in the case studies).

To test the robustness of this level of outperformance, we adjusted first the timescale of the analysis and then the number of creative workspaces in a cluster. Both extra avenues of analysis provided similar results.

It is a typical characteristic of residential performance that areas do not tend to outperform consistently over the long term, as the per annum price growth implies. Instead, as areas undergo change, like creative workspace gaining critical mass, there tends to be a step change in residential values. As such, the

3 Quantitative Analysis

3.3 Price Analysis: Exploring the Relationship Between Creative Workspace and Residential Demand

Price outperformance of London's creative clusters

Postcode sector	Cluster size (GLA cultural infrastructure map)	Outperformance versus London: total (annual equivalent)	Strongest performance: 10 years to:	Area
Tower Hamlets				
E14 0	8	52.1%* (10.4%)	2019	London City Island
Hackney				
E3 2	12	22.0% (2.2%)	2015	Hackney Wick / Fish Island / Bow
E8 2	10	65.1% (6.5%)	2014	Dalston Junction/ Shacklewell
E8 3	10	59.6% (6.0%)	2015	London Fields / Dalston
E9 5	10	81.1% (8.1%)	2019	Hackney Wick (Case Study)
Haringey				
N15 4	8	28.3% (2.8%)	2018	Tottenham (Case Study)
Greenwich				
SE18 5	7	3% (0.3%)	2018	Woolwich Dockyard (Case Study)
Total Average		44.4% (4.4%)		

Source: Dataloft, Land Registry, GLA Cultural Infrastructure Map. Note all pricing based on per sq ft.

* Adjusted to 5-year outperformance, reflecting the timing of a significant new build pipeline and limited residential transactions before that.

majority of outperformance can occur over a shorter time frame. Where possible, it is helpful to focus on areas that have had a consistent and longer-term change to the dynamic of the market, hence the 10-year horizon.

Furthermore, expanding this house price matrix to include postcodes with a slightly lower number of creative

workspaces (including any with an identified five creative spaces or more) on the GLA infrastructure map yielded similar results. This wider definition of creative clusters encompassed places such as Peckham and Brixton.

3 Quantitative Analysis

3.3 Price Analysis: Exploring the Relationship Between Creative Workspace and Residential Demand

Rental market analysis: London

Where there is a flow-on to higher residential demand, it will affect rental values as well as sales pricing. Looking at the same postcode sectors, there has been outperformance in rental growth terms, too. Rental growth typically moves in more muted cycles than sales pricing, tending to change in line with earnings.

In our creative cluster study locations, there is evidence of rental growth outperforming the London average by 2.6% per annum over a 5-year period (again analysing the window of best performance in each location).

Research approach: Thames Estuary:

A very similar approach was adopted for the Thames Estuary. For this analysis, the location selection was led by Creative Estuary's knowledge of the key creative clusters (underpinned by work on the TEPC Case for Investment), and their term creative workspace was more loosely defined (often smaller in scale and with a wider range of creative uses taken as evidence). Given the less mature nature of some of these creative clusters, the window of house price data analysis was reduced to five years.

Research results: Thames Estuary:

Like London, this analysis showed that, on average, there was price outperformance in these clusters relative to the wider market (benchmarked against all the local authorities making up the Thames Estuary). On average, this outperformance was 3% per annum, derived from total outperformance of 17% over the five-year period.

The level of outperformance is lower than witnessed in London, affected by a few fundamental market characteristics. For one, London as a whole has seen significantly higher levels of price growth over the last decade than outside of London. London's stronger price growth has led to the widest differential in ratio of prices between London and the regions since reliable regional house price data began in the 1970s.

The dynamism of a global city like London is distinguished by its scale and long association with

creative industries, cultural heritage and world-class art educational institutions. The scale of creative workspaces is typically larger, too. The Thames Estuary creative clusters are in an earlier phase of the creative lifecycle; nonetheless, there is a quantifiable association between creative workspace and residential outperformance in all of these locations, albeit more marginal in some.

Notably, the results of the Thames Estuary price analysis are reported separately to London to acknowledge these differences. In many ways, London provides a roadmap for what is possible in a more mature market. Margate is the best example for the Thames Estuary, of a step change in house price performance. It is furthest from London and has established its own identity as a creative place.

Like London City Island, Thurrock demonstrates outperformance, but the outperformance isn't necessarily a creative story; here too, there has been a significant pipeline of new build housing in the surrounding postcodes, which has helped lift pricing across the area. Thurrock though, given its proximity to London, is particularly well placed to benefit from spillover demand from creatives as well as catering for endogenous demand.

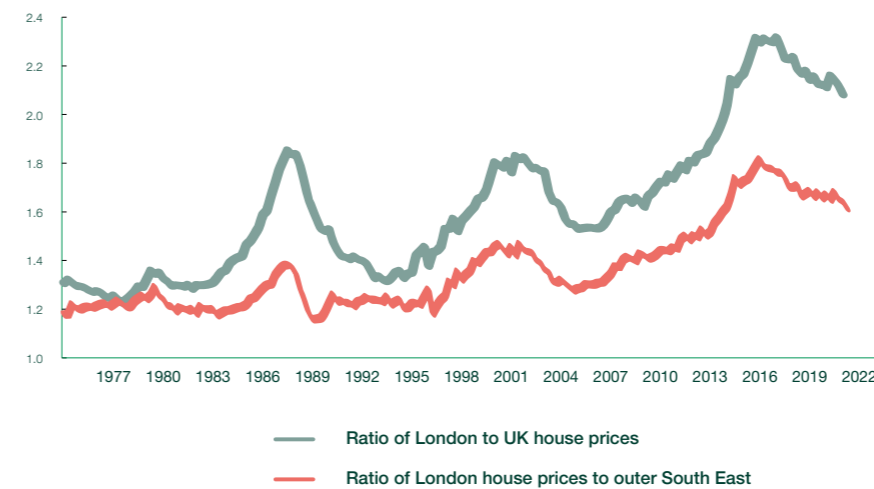
These creative clusters are examined in more detail in the case studies.

3 Quantitative Analysis

3.3 Price Analysis: Exploring the Relationship Between Creative Workspace and Residential Demand

Ratio of London to UK & Outer South East house prices

Due to stronger London house price growth the ratio of London to outer South East and UK house prices has widened significantly.



Place	Cluster Size (Thames Estuary Encyclopedia)	Outperformance vs Thames Estuary region: total (annual equivalent)	Strongest performance: 5 years to:
Southend	10	4.9% (1.0%)	2020
Margate	13	33.5% (6.7%)	2018
Basildon	15	14.6% (2.9%)	2019
Thurrock	2	24.3% (4.9%)	2018
Medway	16	6.0% (1.2%)	2015
Total Average		16.6% (3.3%)	

Source: Dataloft, Land Registry, Thames Estuary Production Corridor Evidence Encyclopaedia.

Note: all pricing based on per sq ft.

3 Quantitative Analysis

3.4 Risk Analysis

The analysis described in this section, tests what, if any, level of risk is introduced when creative workspace is included in a residential development scheme, in place of an alternative use.

If there is a positive, albeit variable, impact of the presence of creative workspace on housing values, it then raises the question of how its inclusion in a residential development will impact on the overall project performance.

To address this question, we consider each case study area and test the financial performance of a notional scheme at today's prices and yields. The residential values are held the

same in each scenario, while variables relating to the commercial/ground floor uses are varied. It must be emphasised that:

- This is not a formal valuation and should not be treated as such. The aim is to use a notional model to explore plausible scenarios.
- It is not in any way an attempt to model existing projects, which were developed at different times and under different property market and economic circumstances.
- Three methods of analysis are deployed: cashflow, discounted

cashflow and residual appraisal, with a base model to show a central tendency and a risk model exploring uncertainty around that base by altering the variables relating to the use of the ground floor commercial space. Full details of the method are included in the Technical Appendix, but the model is a 250 flat scheme with 2,000 sq m net of either creative workspace, additional flats or speculative light industrial space (which could be let to a creative or any other business).

3 Quantitative Analysis

3.4 Risk Analysis

Hackney Wick	Profit (cashflow)	Difference vs creative	NPV (DCF)	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Build for sale								
Base model, creative	£40,134,098	0	£31,920,279	0	£21,376,959	0		
Risk model	£41,762,841	0	£31,427,010	0	£21,088,896	0	1.53%	0
Base model, extra flats	£40,192,322	0.15%	£31,662,152	(0.81%)	£21,608,055	1.08%		
Risk model	£42,528,422	1.83%	£32,432,105	3.20%	£21,998,588	4.31%	1.20%	0.22
Base model, light industrial	£38,398,080	(4.33%)	£30,164,430	(5.50%)	£20,109,148	(5.93%)		
Risk model	£39,986,554	(4.25%)	£29,667,472	(5.60%)	£19,808,237	(6.07%)	2.06%	0.35
Build for rent								
Base model, creative	£32,345,124	0	£15,414,104	0	£14,537,064	0		
Risk model	£50,200,640	0	£28,394,376	0	£26,452,881	0	0.00%	0
Base model, extra flats	£32,006,118	(1.05%)	£14,169,037	(8.08%)	£14,400,119	(0.94%)		
Risk model	£52,077,804	3.74%	£29,495,699	3.88%	£27,976,331	5.76%	0.00%	0.00
Base model, light industrial	£30,609,106	(5.37%)	£13,658,256	(11.39%)	£13,269,253	(8.72%)		
Risk model	£48,932,634	(2.53%)	£26,877,213	(5.34%)	£25,165,407	(4.87%)	0.00%	0.00

Hackney Wick – mature cluster
Hackney Wick is arguably London's most mature creative workspace cluster, and it sits within a larger creative hotspot that runs from Homerton to Bow, nascent before and driven on after the Olympic Park regeneration.

Scenario 1: with creative workspace on the ground floor

The Base model shows a gross profit of £40.1m, an NPV of £31.9m and residual value of £21.3m. The residual value returned is comfortably above VOA estimates of residential development land values, and things would have to go catastrophically wrong for the 1.5% chance of a negative residual to be a meaningful factor.

The Risk model returns a profit of £41.7m (NPV: £31.4m; Residual: £21.1m), and the similarity with the Base model illustrates that the market here is mature and well understood, with central assumptions capturing risk well.

Scenario 2: with extra flats on the ground floor

The Base model produces strikingly similar results, with a profit of £40.1m (NPV: £31.7m; Residual: £21.6m), within around 1% of scenario 1.

The Risk model shows marginally better performance for a pure residential scheme (profit: £42.5m; NPV: £32.4m; Residual: £22m), which – perhaps unsurprisingly – illustrates the lower risk of residential development.

Scenario 3: with light industrial on the ground floor.

The Base model results for speculative light industrial are 4-5% below the creative workspace option. This reflects the additional risk of letting voids and the absence of long-term income security, both of which negatively impact the investment yield applied to this element of the scheme.

In Hackney Wick, the results of the risk analysis reflect a mature market with well understood values. While the strong performance of building extra flats is not surprising, it is noteworthy that this option was not as dominant as might intuitively be expected.

3 Quantitative Analysis

3.4 Case studies: creative clusters and schemes

Peckham	Profit (cashflow)	Difference vs creative	NPV (DCF)	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Build for sale								
Base model, creative	£44,970,324	0	£41,463,408	0	£25,882,695	0		
Risk model	£40,610,967	0	£33,428,298	0	£20,255,081	0	0.76%	0
Base model, extra flats	£46,305,028	2.97%	£43,452,676	4.80%	£26,984,962	4.26%		
Risk model	£41,907,853	3.19%	£34,518,701	3.26%	£21,564,188	6.46%	0.37%	0.51
Base model, light industrial	£43,843,154	(2.51%)	£41,287,847	(0.42%)	£24,998,808	(3.41%)		
Risk model	£39,136,953	(3.63%)	£31,686,316	(5.21%)	£19,361,122	(4.41%)	0.80%	0.05
Build for rent								
Base model, creative	£22,736,501	0	£12,968,540	0	£8,442,856	0		
Risk model	£28,882,486	0	£11,604,835	0	£11,368,557	0	2.54%	0
Base model, extra flats	£21,060,157	(7.37%)	£10,471,470	(19.25%)	£7,328,192	(13.20%)		
Risk model	£28,978,012	0.33%	£10,729,990	(7.54%)	£11,540,239	1.51%	2.57%	0.01
Base model, light industrial	£21,000,483	(7.64%)	£11,212,692	(13.54%)	£7,174,581	(15.02%)		
Risk model	£27,473,110	(4.88%)	£10,127,504	(12.73%)	£10,307,076	(9.34%)	3.79%	0.49

Burgess Park (Peckham) – emergent cluster

The development, in 2005, of Galleria – one of the first of the ‘new model’ of creative workspace provision – was followed by three more creative workspaces, more traditional in nature but helping to build a new cluster.

Scenario 1: with creative workspace on the ground floor

The Base model returns a gross profit of £44m, an NPV of £41m and a residual of £25m, comfortably above VOA estimates.

The Risk model returns an average profit of £40.6m (NPV: £33.5m; Residual £20.3m), which suggests there is a little more risk in these figures than the Base model reveals, but it is still a viable scheme.

Scenario 2: with extra flats on the ground floor

The Base model returns £46m, just shy of 3% above the creative workspace option (NPV: £43.5m; Residual: £21.6m).

The Risk model returns £41.9m, slightly better than 3% over the creative workspace option (NPV: £34.5m; Residual £21.6m). The ‘extra flats’ is sufficiently better performing that, given the choice, developers would choose it even though the overall risk envelop is similar.

Scenario 3: with light industrial on the ground floor

The Base model with light industrial returns only £43m, 2.5% less than with creative workspace, (NPV: £41.3m; residual: £25m).

The Risk model returns £39.1m, more than 3.5% less than with creative workspace. These differences are more pronounced in terms of NPV and residual value (NPV: £31.7m; Residual: £19.4m).

In Peckham, the underperformance of the light industrial scheme reflects the void risk and weaker covenant of its likely occupiers: creative workspace is a robust alternative to generic employment space.

Top
The Joiners Shop,
Chatham.
(© Baynes and
Mitchell
Nebulo Design)

Right
The Galleria,
Peckham
(© Michael Riebel)



3 Quantitative Analysis

3.4 Risk Analysis

Chatham	Profit (cashflow)	Difference vs creative	NPV (DCF)	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Build for sale								
Base model, creative	£12,238,992	0	£15,005,907	0	£3,471,697	0		
Risk model	£12,499,908	0	£14,099,058	0	£2,648,184	0	34.32%	0
Base model, extra flats	£10,147,531	(17.09%)	£12,292,269	(18.08%)	£2,096,355	(39.62%)		
Risk model	£9,784,355	(21.72%)	£11,368,193	(19.37%)	£861,800	(67.46%)	43.22%	0.26
Base model, light industrial	£9,310,323	(23.93%)	£11,958,653	(20.31%)	£1,320,474	(61.96%)		
Risk model	£8,651,918	(30.78%)	£10,543,402	(25.22%)	(£58,259)	(102.20%)	51.10%	0.49
Build for rent								
Base model, creative	£13,385,941	0	£8,367,322	0	£2,805,700	0		
Risk model	£20,661,279	0	£10,381,313	0	£7,076,303	0	7.91%	0
Base model, extra flats	£6,469,769	(51.67%)	£2,374,639	(71.62%)	(£1,391,400)	(75.41%)		
Risk model	£13,855,206	(32.94%)	£8,409,783	(18.99%)	£3,429,558	(51.53%)	18.80%	1.38
Base model, light industrial	£5,480,302	(59.06%)	£2,260,949	(72.98%)	(£2,230,425)	(36.80%)		
Risk model	£12,668,224	(38.69%)	£8,005,044	(22.89%)	£2,621,725	(62.95%)	25.46%	2.22

Chatham (Medway) – cluster in waiting?

Chatham sits in the middle of an urban area encompassing Gillingham, Rochester and Strood. Rochester is seeing a substantial amount of house building, especially on Rochester Riverside. This makes it an interesting stress test for the model.

The model scheme would be substantial for the area and it is unlikely that it would be built in a single phase (phase 1 of Rochester Riverside is about half the size).

Both land values and house prices are substantially lower than in London, as would be expected, but construction costs do not fall in tandem. The model is highly sensitive to construction costs.

Scenario 1: with creative workspace

The Base model returns a gross profit of £12.2m and an NPV of £15m, something of a reversal of the other case studies, reflecting lower site acquisition costs. A residual of £3.5m exceeds that suggested by VOA estimates, although the VOA land value model for outside London is far less appropriate for a scheme of this scale than in London.

The Risk model suggests there is a more than 34% chance of the scheme returning a negative residual value. This reflects both the scale of the scheme and construction costs. It would require a very experienced developer with excellent cost control practices to manage this risk.

Scenario 2: with extra flats

The Base model, returns a gross profit of £10m (NPV: £12.3m;

Residual: £2.1m), performing markedly worse than the model including workspaces, in the realm of 17%, with a much lower residual. This reflects lower house prices. Although creative workspace doesn't command the rents it would in London, house prices are proportionately lower still, and the yield difference between the two is more in favour of commercial space than housing.

Scenario 3: with light industrial

The Risk model returns nearly 40% underperformance, or 23% in terms of NPV. This tips the scale even more in favour of the creative space option.

Scenario 3 rests on the assumption that a large creative space could be let as readily in Medway as in London where there is a huge waiting list for studio space. Almost certainly, we would expect creative workspace to be phased in the same way as

3 Quantitative Analysis

3.4 Risk Analysis

housing, with a much more flexible conception of what constitutes creative workspace. That said, it is notable that the Bow Arts Trust was used in the development of Royal Albert Wharf to bring life to a largely derelict area before housing was commenced. This could be a useful option for future Medway development.

Build to rent

In most of the scenarios tested, the pattern of performance largely echoes that of build-for-sale, with differences largely reflecting yield disparity between the asset groups. That said, the inclusion of creative workspace in build-to-rent schemes can outperform pure residential, because the yields on light industrial and workspace are exceptionally low at present. That could, however, be the transient affect of short-term demand for light industrial space for e-commerce. On that basis, it could potentially represent a strong contribution to investment value. If creatives wish to live near their workspace, it could provide a compounding boost to value.

Summary

These three examples show two strong dimensions: the urban geography of London and the South East, expressed in terms of value gradients, and a parallel geography of creative workspace delivery that reflects the history of the sector. In London, the creative workspace sector has a group of providers that evolved – like housing associations – from local exploiters of opportunity to sophisticated providers entirely comfortable working with house builders and housing associations. This level of maturity is less prevalent beyond London.

The risk in somewhere like Hackney is similar to the general risk in the business environment, especially the housing market. As we move away from inner London the risk gradually shifts in an, arguably, surprising way. Because building costs do not fall as rapidly as property values, the premium on having a sector that can reliably occupy business space in a way that supports, rather than interferes with, the attractiveness of a mixed-use scheme, has the potential to become a real bonus.

The well-observed pattern of creative users moving into low-value areas and bringing them back to life, only to find themselves priced out when values rise, is already being seen, for example, in Margate. Providing low-cost space geared towards creatives, as part of mixed-use developments seems a viable option that could significantly mitigate this problem. And that is without taking into consideration the likely availability of grants and subsidies to help defray some of that risk.

The very worst case scenario, in fact, is that including creative workspace in mixed-use developments will do absolutely no harm to values. That is a pretty good worst case.

4 Qualitative Analysis

Creative really helps with the narrative for why live here? It helps bring vitality early on in the scheme.

Kerri Sibsons (Knight Dragon)

- 4.1 Expert Insight, Developers: Planning Consent Catalyst and Long-Term Value
- 4.2 Expert Insight, Operators: From Make-do-and-Mend to Creating Cultural Assets
- 4.3 Expert Insight, Estate Agents: Community View and Impact on Buyer Demand

Left
Ice House Court
Studios, Barking
(© Delvendahl Martin
Architects)

4 Qualitative Analysis

4.1 Expert Insight, Developers: Planning Consent Catalyst and Long-Term Value

There is growing recognition that successful place-making includes a mix of uses, particularly at ground level, to promote diversity and activity throughout the day. The trigger points for realising this value uplift will include a number of factors that contribute to the space feeling like a high-quality place and achieving a critical mass of footfall through the residential and commercial offering. Get the right mix of amenity and workspace within a development and you can boost values.

Savills analysis of London developments often demonstrates a premium of 20–30% above the wider local market over the life of a scheme.

(Katy Warrick, Savills)

The qualitative element of this research comprised a series of face-to-face interviews with experts from three related disciplines to discuss their views on the presence of creative space and the relationship with demand for residential property and value growth. We conducted interviews with developers of residential property, operators of managed creative space and local estate agents.

The developer interviewees had been involved with schemes that included creative space, or with regeneration. The dialogue focused on the benefits of creative workspace, and the obstacles that dissuade developers from including creative workspace in their schemes.

The key themes are summarised in this section.

Maximising returns and minimising risk:

The overwhelming obstacle for developers considering other uses of ground floor space is the difference in value between residential and other commercial uses. Residential has a much higher value, especially in London where the competition for land use is intense.

Developers are often working on large-scale projects, which are capital intensive and therefore the overriding remit will be to maximise returns so to minimise risk. Maximising returns would primarily be accomplished through maximising the residential component.

Likewise, this means where developers are considering alternative ground floor uses, they will also be looking to achieve the highest commercial value. Seeking the highest value for different elements of the scheme is effectively about risk management. Furthermore, for risk management purposes, today's value is the best benchmark. It is difficult to build in extra risk by forecasting that an alternative use might deliver more value in the future.

Alternative commercial uses are flawed:

Developers will consider the relative merits of each site, and there are often planning constraints that need to be accommodated. When developers are looking at different commercial uses, there are issues surrounding each: retail can be problematic in some sites (e.g. sufficient footfall, accessibility of deliveries), restaurants often not acceptable (noise, fire risk and mortgage constraints) and offices can have an invisible presence. In this light, and particularly when employment use is protected, creative workspace is a very attractive option and widely recognised as an appealing part of a residential scheme.

It's important to quantify social value:

For those developers that had successfully used creative workspace (or other creative uses) within their developments, there was a recognition that it often took a completely different approach to value the creative element.

Social value is easily recognised but difficult to measure in a universally

4 Qualitative Analysis

4.1 Expert Insight, Developers: Planning Consent Catalyst and Long-Term Value

comparable way (although useful benchmarks are increasingly available). In the most successful instances, there was a sense that including creative uses within a mixed-use scheme rewarded local residents with a scheme they really welcomed rather than a project the local community resisted.

Value accrues over the long term:

Developers recognised that the value of a creative element is more likely to accrue over time, more about long-term value than short-term uplift. Investors who are able to make a longer-term commitment will see the dividends of successful placemaking accrue and would view the trade-off between other amenities differently.

Build-to-rent (BTR) investors do have a longer-term perspective and also are highly attuned to the importance of community engagement. If their residents get to know the community within their building, they are more likely to renew their lease. Potentially there is a role for creative engagement to help maximise community engagement.

Contribution to placemaking:

There was wide recognition of the value that placemaking can bring, and that creative workspace can be a useful component of that. In creating successful places, developers are looking to bring people, activity, jobs and spending power. So much comes down to specific site location and working out the best amenities for each local community, creative workspace won't necessarily be the best use of space in each development, local dynamics are important.

Creative workspace can have a more powerful role in placemaking the more visible it is.

Existing creative activities build a critical mass:

Developers recognised that if the proposed scheme is within a creative area, it gives the developer critical mass to build upon. In areas where there is limited other creative workspace, the scale of the initial workspace becomes more important, as there needs to be a critical mass to bring enough people in to enjoy the benefits of life and vibrancy that it brings.

4 Qualitative Analysis

4.2 Expert Insight, Operators: From Make-do-and-Mend to Creating Cultural Assets

Interviews with operators of creative workspace explored the role of the managed provider in and what makes a successful, sustainable business model.

Providers have evolved with the sector:

The image of artists moving into a run-down area, occupying redundant space and thus bringing it to life, only for values to rise and for those rejuvenating artists to be pushed out as costs rise, is well known to anyone involved in regeneration. There is some truth to it, even today, but the full picture is more nuanced, more diverse, and in some areas more thoroughly modern than is commonly supposed.

In fact, the first companies specialising in the setting up and managing of creative workspace appeared in the late 1960s. Often, but not always, they were structured as charities with a remit to keep the space affordable and to engage with local communities, while being able to exploit grant funding. Such companies are now the mainstay of creative workspace provision.

Creative workspace satisfies the requirement for protecting employment space:

Although there is still a significant amount of meanwhile use in play, and the bulk of art studios continue to be found in former light industrial buildings, London is witnessing the emergence of a new style of space. This is when creative workspace providers have become part of mixed-use schemes by offering an alternative to speculative light industrial space, which is often a planning requirement.

Because creative workspaces have been the same use class – B1c – as light industrial (before the introduction of Class E) and can offer a higher employment density than generic light industrial space, they are often used by distribution or other low-job-density occupiers, this model means, as one operator put it:

Rather than being planning gain, [creative workspace] is a good use in its own right.

Operators prefer to be involved at the design stage:

The key to this model is to get the operator involved at the design stage so that they can influence the layout and finish:

The important thing is to get in early and discuss layout. That's better than buying shell and core...we know we can save an awful lot if we have discussions at the right stage.

This will not only make the building more cost-effective, but also allows a developer – usually a house builder, though not always – to present a scheme that fulfils their planning obligations in a way that eliminates the risk from building speculative generic light industrial space.

It is the certainty and working in unison, not us versus them. It is a great ground floor use that won't stay empty.

Operators need security of tenure to guarantee continuity:

Operators want leases of at least 25 years, and several deals have been secured on long leases of 125 and 250 years. The reciprocal of

this is that restrictive covenants are often included to prevent the selling on of the space for a different use, reassuring developers and planners that the space is being delivered for the long term. The operator then lets the space out to artists on short, typically three-to-five year, leases with rolling breaks of two or three months.

It is important for the creative community to remain dynamic:

One slightly paradoxical downside of longevity is that, at times, artists may hold onto workspace, given its scarcity, for many years, which can, apparently, create a situation where the resident artists grow complacent and less likely to engage in the outreach efforts by operators, which are a key part of their charitable mission.

Meanwhile space has a role, too:

Nearly every operator has at least an element of meanwhile space. There is a concern that planners are relying too heavily on meanwhile space to fulfil their job creation targets and that some grassroots meanwhile initiatives are not properly equipped to run the space safely, especially with regard to fire hazard. However, it remains a useful way to inject life into an area.

Operators need a minimum scale to provide affordable space:

Most operators say they prefer a minimum of 10,000 sq ft, with 20-25,000 sq ft considered ideal. Some are willing to take on smaller spaces, perhaps as small as 6,000 sq ft, but they are much harder to operate cost-effectively. Some are uncomfortable with the way that creative workspace tends to be grouped, by planners and analysts, with co-working space,

4 Qualitative Analysis

4.2 Expert Insight, Operators: From Make-do-and-Mend to Creating Cultural Assets

treating them as equivalent to service office providers. They would prefer to be considered the equivalent of housing associations: specialist providers of affordable space to the creative sectors.

That said, operators say that how space is used varies greatly, with activity ranging from smaller makerspaces – effectively workshops – to usage more akin to an office unit. Indeed, some of the newer developments would scarcely be recognisable as employment space from the outside.

There are high volumes of unsatisfied demand:

One London operator referred to a “limitless supply” of artists looking for studio space. Others suggest waiting lists of comfortably more than 1,000, although some caution is needed here. Artists will likely register with multiple companies when looking for space, but even allowing for this, it is not outrageous to suggest unfulfilled demand in London for over 1,000 studio spaces.

While outside London, demand is nowhere near this intense, operators report that their occupancy is typically in the high 90th percentile and note that some artists have moved out of London, and that the COVID-19 pandemic might amplify this.

A strategic approach to policy on creatives is valued:

Outside London, there are some concerns. Some local authorities, for example, complain that the councils do not have a meaningful cultural strategy and there is a general lack of engagement or understanding of

the needs of creatives. For example, suggestions that edge-of-town warehouses might be suitable were not appreciated.

On the other hand, Margate has seen a very successful “ground up” development of an artistic cluster by local artists, but when combined with other aspects of regeneration, the town is reaching a point where there are:

A lot of young creatives who don't own property and are saying they can't afford to stay in Margate.

This has been aggravated by the COVID-19 pandemic, which has caused demand for rental property to soar.

Provision of creative workspace is being professionalised:

This idea is a key point – many operators are very experienced and professional in their approach to fulfilling their charitable goals, and this has driven some new and sustainable models. As one operator put it:

Affordable workspace has to be justified [but] culture is useful and important for its own sake, and cultural activity is a measure of society. If only the biggest and more expensive schemes happen, then only the 'highest level' can survive, which is less inclusive. We could end up with a cultural scene based in economic benefits.

The new model of schemes, typified by Acme's Galleria, Peckham, Artists Studio Company's Art House, Croydon and Bow Arts Trust's RAW development in the London

Docklands – all parts of substantial housing developments, and all recognised as bringing benefits to the developments – offer a way forward. When combined with their charitable goals, there is a way to deliver creative workspaces that makes planning sense, economic sense and delivers cultural value.

4 Qualitative Analysis

4.3 Expert Insight, Estate Agents: Community View and Impact on Buyer Demand

Interviews with estate agents gave us insight into how homeowners and renters view the presence of creative workspace in their neighbourhoods; to what extent it has influenced their choice of where to live and how that might translate into financial or other types of value.

Some people actively choose to live in a creative locality:

Agents referred to the attraction of a 'creative cool' vibe. In Hackney Wick, for instance, agents confirmed that an association with artists and makers influences people's location decisions. In Margate, one agent reflected that creative is 'all around' and that it was a key consideration for people thinking of moving there. However, other factors count, too (affordability and living by the sea are also key draws).

The relationship is stronger in a pre-existing creative community:

The agents were more confident that the presence of creative community attracts demand if the area was already strongly associated with creatives. If the creative community, was new or still emerging, then they were less confident of its ability to attract demand. This could apply to a less visible stand-alone scheme.

A creative presence is often part of a wider regeneration:

Large mixed-use schemes generally include a wide variety of new amenities that add to the appeal of an area. Creative space is one of those ingredients. For instance, Box Park was a draw card in some of the locations analysed. For large regeneration schemes, it isn't always possible to pin resident appeal to just

one element; the appeal is part of something bigger that is changing.

Other criteria still matter:

Many other factors contribute to the choice of a home, and they vary by type of buyer or renter. A creative vibe might be given less priority by a family that needs space to grow and good schools, for instance. Overall, the agents said that affordability is always the critical factor, adding that 'buyers are loyal to a price point, not a post-code'.

Visibility and engagement drive value:

Creative workspace operators that proactively engage with the local community have more influence on the character and popularity of the area. In some of the case study locations, the presence of creative workspace was overlooked and not considered to have any tangible impact on demand or values.

There is a growing emphasis on daytime activity:

Agents acknowledged that the COVID-19 pandemic has shifted the perspective of residents and it has become more important that a home neighbourhood has a buzz and vitality during the day, as people spend more time working from home.

Residents value certainty in ground floor uses:

Agents reported that one of the first questions a prospective buyer will ask is: 'What is on the ground floor?', and they will be looking for reassurance that there will not be unwelcome uses. Creative workspace is considered a 'good neighbour' so where an operator makes a long-term

commitment, that translates into value for buyers. The ground floor use also has implications for mortgage terms. There are mortgage constraints for buying a property above a restaurant due to fire risk, for example.

Whilst independent retail and cafés have wide appeal, it may be more difficult for there to be long-term assurance of their viability. A balance of amenities is important to residents, they wish to be able to grab a coffee, pick up some groceries and access important services (e.g. gym, dry cleaning nearby).

Right
Resort Studios Margate,
(© Adam Scott)





5 Case Studies

Creative space can be an accretive amenity to our residents and the local community.

Jon Di-Stefano (Telford Homes)

5.1 London Case Studies: Clusters

- A1 Hackney Wick**
- A2 Woolwich Dockyard**
- A3 Tottenham**

5.2 London Case Studies: Schemes

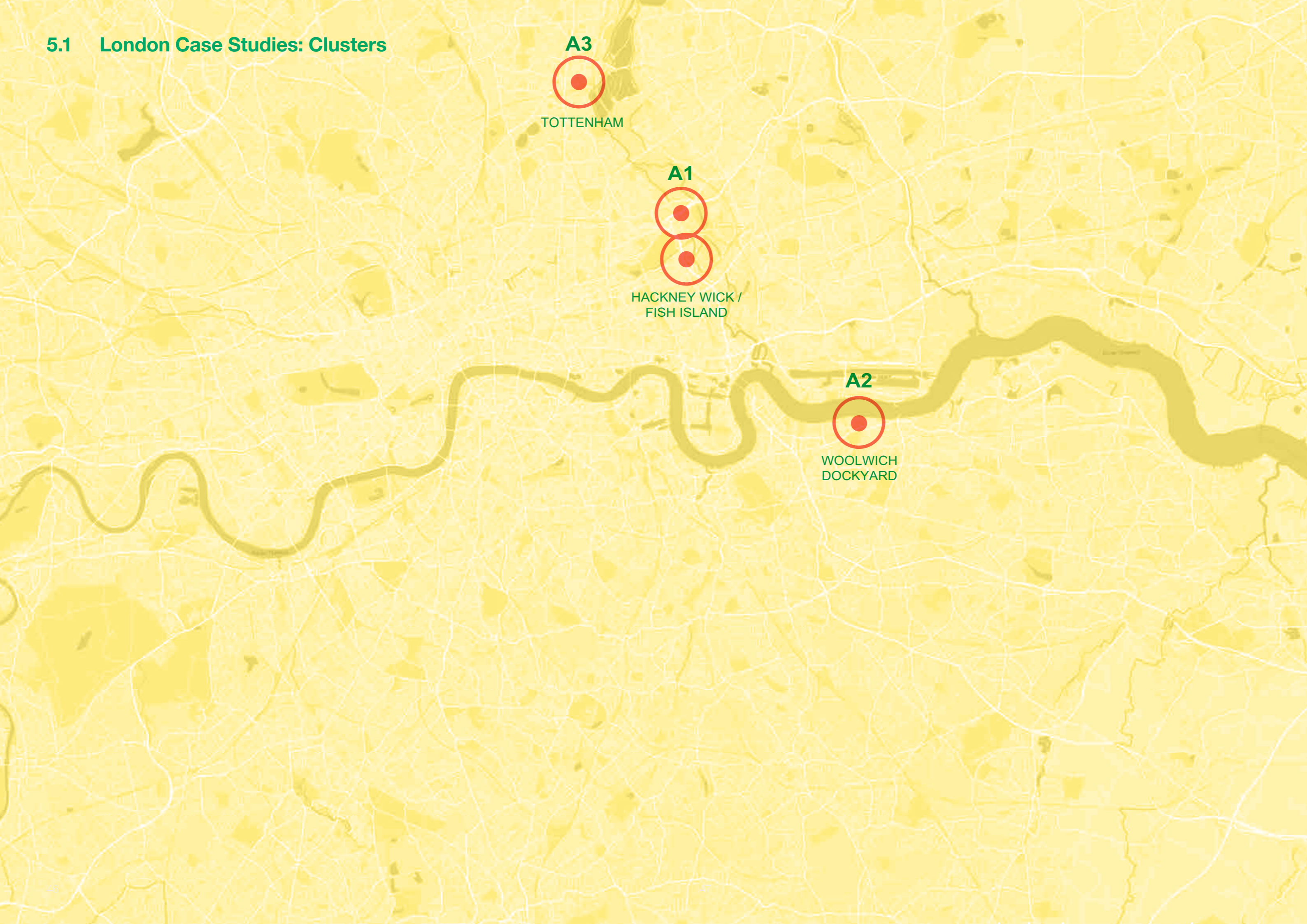
- B1 Bow Arts, Royal Albert Docks**
- B2 Galleria, Peckham**
- B3 ASC Studios, Croydon**
- B4 Second Floor Studios, Wembley**

5.3 Thames Estuary Case Studies

- C1 Margate**
- C2 Southend**
- C3 Basildon**
- C4 Thurrock**
- C5 Medway**

Left
The old waterworks,
Southend (© Anna
Lukala)

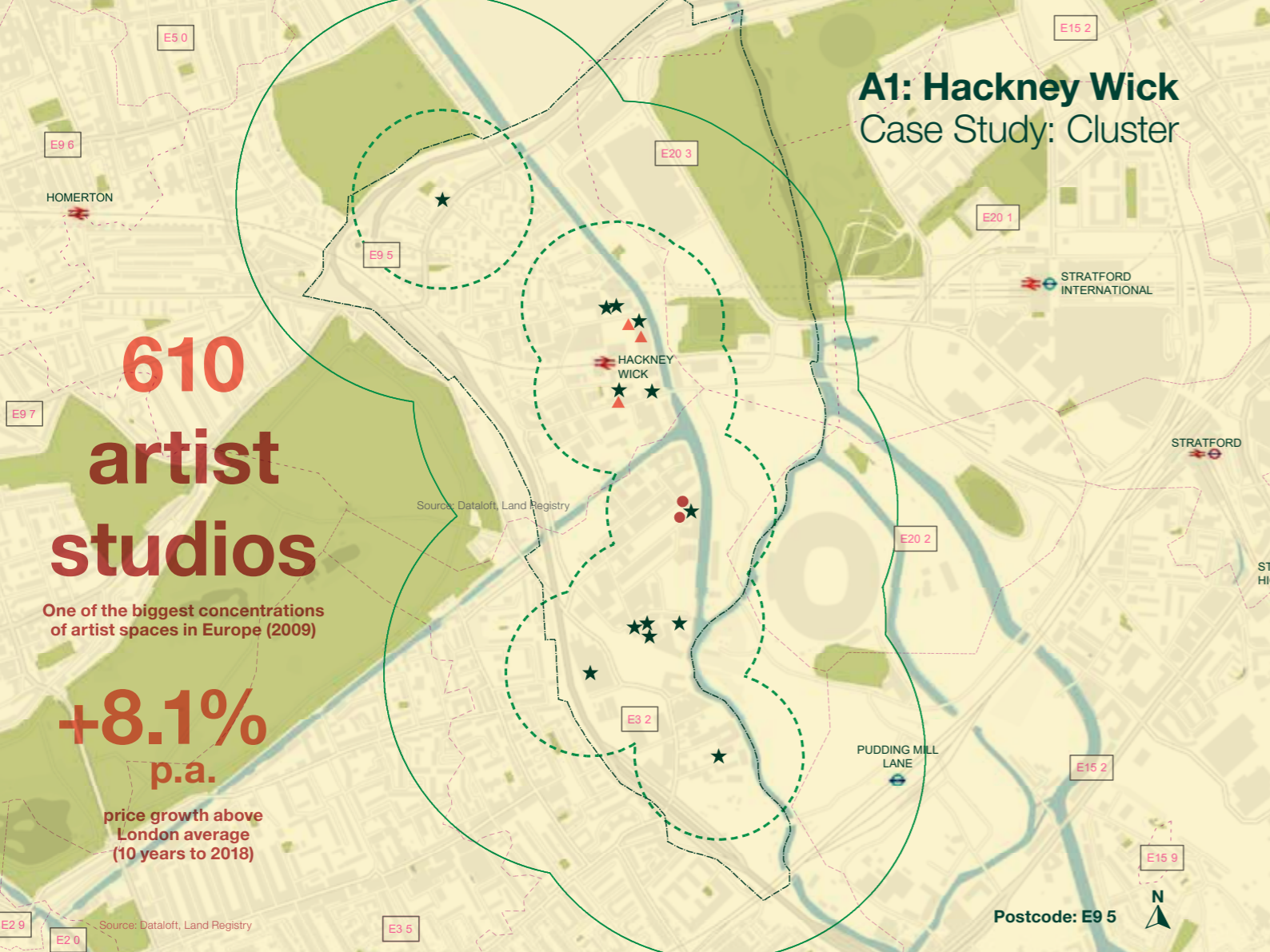
5.1 London Case Studies: Clusters



A3
TOTTENHAM

A1
HACKNEY WICK /
FISH ISLAND

A2
WOOLWICH
DOCKYARD



- ★ Artist workspace
- ▲ Creative workspace
- Makerspace
- Creative Enterprise Zone
- 200m zone
- 500m zone

Key operators //

Grow Studios – 2007

Grow Studios have provided adaptable and affordable space for over 100 local artists, creative practitioners and small businesses. Includes Grow Hackney from 2014 (a creative space & yard for art, music, food & culture since 2014), 30+ coworking spaces and 7,000 sq ft rooftop space.

Stour Space – 2010

Provide accessible, innovative and flexible workspace that can support the creative industries.

Main Yard Studios: Wallis Road – 2012

57 offices/ 20 music studios/ 40 coworking desks. Expanded in 2017

Matchmakers Wharf: Homerton Road - 2012

Part of a residential scheme by Telford Homes with Acme (studios for 49 artists) across Mabley Green from Hackney Wick.

Cell Project Space: Wallis Road – 2014

21 purpose-built studios for practicing fine artists.

Trowbridge Gardens: Arbeit – 2018

Part of a council project to deliver affordable workspace for existing small, independent and artistic firms while redevelopment takes place on other sites in the area, enabling them to stay local. 20 Studios.

Hackney Wick's creative community has allowed this area to thrive, outperforming London price growth.

At the back end of the 1990s and into the early new millennium, Hackney Wick, in common with Bow to the south and Homerton to the north, bordered the Lower Lea Valley, one of the most large-scale and bleak urban wastelands in London. At night, almost completely unlit and criss-crossed by power lines it was hard to imagine a more unsettling place for a cabbie to take a short cut. It felt hostile, contaminated and an unpromising candidate for renewal.

Then came the Olympic games, and one of the largest and fastest urban regeneration projects of all time.

In fact, the old industrial area of Hackney Wick had started attracting artists as long ago as the late-1980s, as had nearby Bow, given the availability of a significant amount of vacant industrial space.

Characteristic features of Hackney Wick's land use are its industrial buildings and infrastructure, remnants of its manufacturing past. With the transition from an industrial to a post-industrial society, many industrial

units became vacant and from the 1980s onwards were occupied increasingly by galleries and studios, and small 'light' industries. The low studio rents and unregulated landscape provided spaces for artists to experiment, engage in critical art practices and form networks of collaboration (Rossen, 2017)

By 2009, Wick was a bustling, creative, vibrant place. However, if you went there, you might have been disappointed because you could not see anything; the creative scene was very much behind closed doors. Even today, some of the service roads inhabited by creative workspaces, both here and in nearby Bow, have yet to be visited by the Google Street View vans. It was a well-kept secret.

This changed, first with the debut of the outward-looking Hackney Wicked festival in 2008 and then as Stour Space (2010), Grow (2007, and expanded in 2014), Crate (2012) and so forth were set up and created a public-facing presence, which now has become iconic for Hackney Wick.

Residential performance overview

Hackney Wick has clear periods of price outperformance versus London. For instance, in 2013 and 2014 Hackney Wick prices outperformed London price growth by 9% and 7% respectively. This ties in with the increasing number of large-scale creative studio operators in the area.

This also ties in with the boost the area received from the 2012 Olympics. There was significant investment in the area and the whole of East London residential markets came into sharper focus, attracting more buyer attention during this period.

The average residential price per sq ft remains a margin below the rest of Hackney borough, which has seen similar increases in prices, driven by a range of factors such as the arrival of the tech sector at Silicon Roundabout.

Hackney Wick versus average London prices

A clear step change in the relationship between Hackney Wick and London prices took place in 2013.



Source: Dataloft, Land Registry

Price growth in relation to London

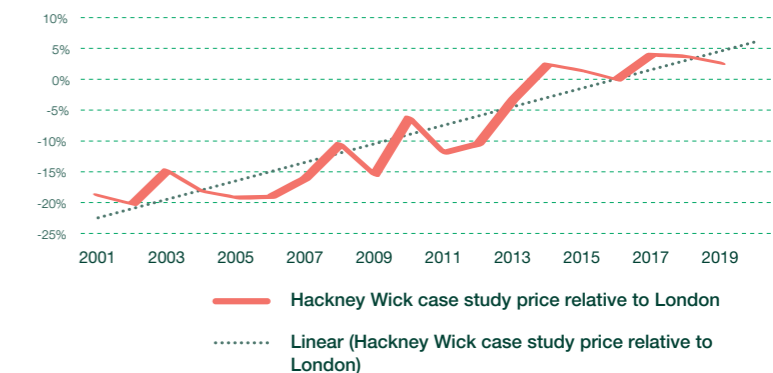
Hackney Wick periods of outperformance versus London.



Source: Dataloft, Land Registry

Hackney Wick pricing relative to London

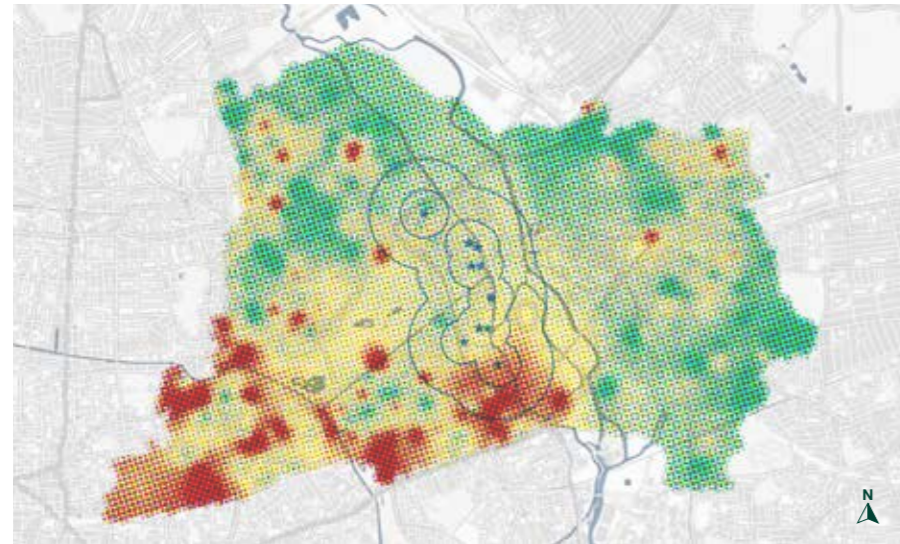
In 2000, Hackney Wick prices were at a 20% discount to the average London price. Today they stand at a premium of 4%.



Source: Dataloft, Land Registry

A1: Hackney Wick

Case Study: Cluster



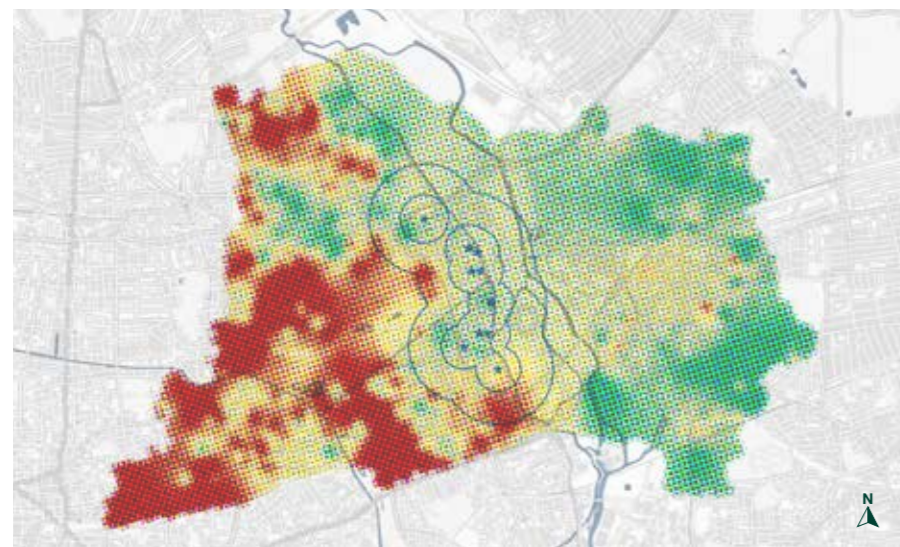
2008

Price paid per sq ft for property transactions between 2008-2019

This time series of heat maps for Hackney Wick shows higher values rippling out from central locations to Hackney Wick's creative cluster faster than other local markets.



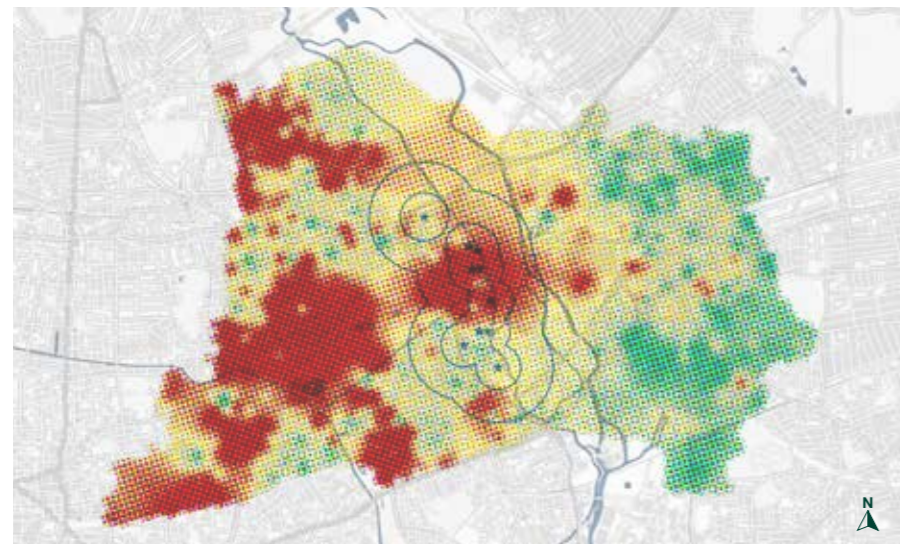
NB Gradation adjusted for inflation



2012



NB Gradation adjusted for inflation



2019



NB Gradation adjusted for inflation

Matchmakers Wharf

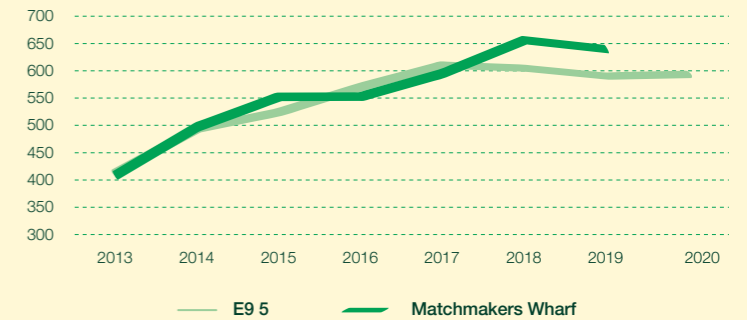
Built in 2012, Matchmakers Wharf forms part of a mixed-use new build development adjacent to Hackney Marshes and the Lee Navigation. The Acme Studios purchase was funded in part by Arts Council England's Grants for the Arts—Capital Fund. There are 49 self-contained studios ranging over six floors.

The development is located at the northerly point of the E9 5 postcode, strictly speaking in Homerton, set aside from the concentration of other creative space but clearly an extension of the existing creative community.

The preservation of employment space was part of the planning requirement for the developer, Telford Homes. The timing of this development meant that it benefited from the attention from the London Olympics that really put many of these markets in the spotlight.

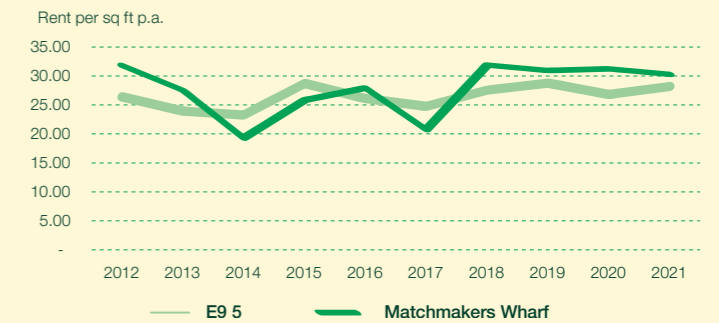
Given that it sits aside from Hackney Wick, it is notable that sales at Matchmakers Wharf have successfully tracked prices achieved in the rest of the postcode sector (E9 5) often trading at a slight premium. The average sales price premium from 2013-2019 was 2.3%. Similarly, rental values have averaged a premium of 5% since 2012.

Matchmakers Wharf sales typically trade at a premium compared to the rest of the postcode sector



Source: Dataloft, Land Registry, NB small sample size for scheme

Rental values at Matchmakers Wharf have averaged a premium of 5% since 2012

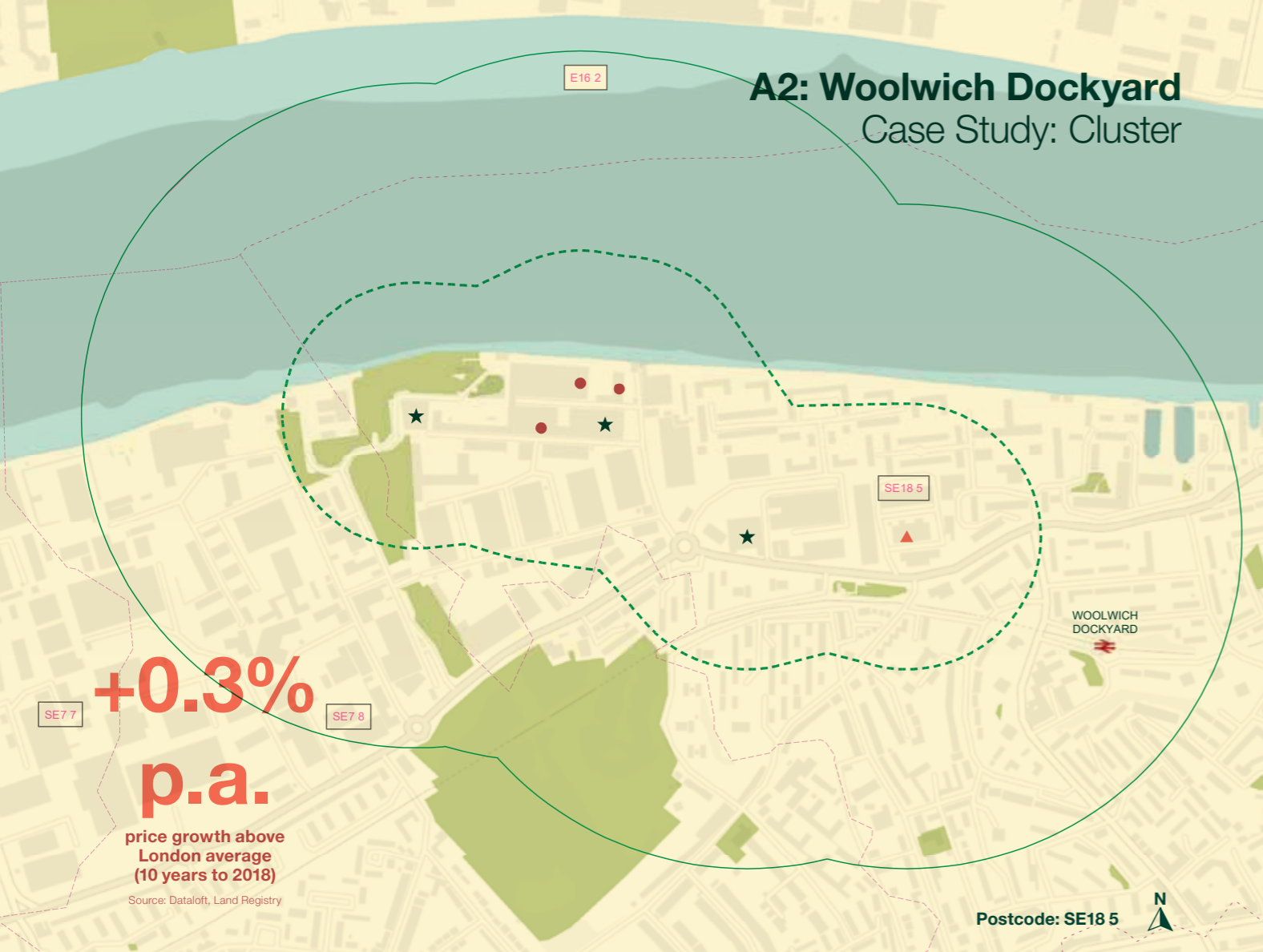


Source: Dataloft, DRMA, NB small sample size for scheme



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A2: Woolwich Dockyard Case Study: Cluster



+0.3%
p.a.

price growth above
London average
(10 years to 2018)

Source: Dataloft, Land Registry

Postcode: SE18 5

- ★ Artist workspace
- ▲ Creative workspace
- Makerspace
- 200m zone
- 500m zone

The **Woolwich Dockyards** cluster is unusual, being dominated by a single large operator, Thames-side Studios.

The area has been in employment use since the reign of Henry VIII, who founded the Dockyard in 1512. By the mid-1800s, the area supported tens of thousands of jobs. This legacy has left an extensive riverfront industrial area.

In the 1980s, Emafyl started an extruded polystyrene business here, but with business declining, it ultimately looked for other uses for its buildings. In 2010, they started to provide 'affordable, long-term studio space', initially run by an external company but, in 2016, taken in-house because it had become such a large investment. It now contains 500 studios and claims to be the most densely populated studio site in Europe.

Greenwich Borough Council classifies Woolwich Dockyard as both a strategic industrial area (Charlton Riverside East SIL) and a strategic development area. Given the success the Woolwich Arsenal redevelopment, it would not be surprising if the council sought to encourage residential development, but it has signalled that it wants to retain the area for creative industries.

Residential performance overview

This is not a dense residential area, given its dockyard heritage, so only 60 or so residential sales happen here each year (for some years, the number of transactions are lower). Parts of this area are dominated by industrial-type space and there is limited evidence of residential immediately alongside creative space. Consequently, it feels more difficult to tie any outperformance directly to its association with creative but it is still likely to have been a factor.

In performance terms, one of the strongest windows of price growth is the five years to 2018, which ties in with the redevelopment of Royal Arsenal in neighbouring SE18 6. This Berkeley development achieved high values for the area.

Whilst the heat map shows that higher values aren't currently widespread in this location – with higher values either side, there is clearly potential for values to grow.

Developers and local councils recognise the value of preserving the creative community; the £30m+ injection of support for the new creative quarter at Woolwich Works (part of Woolwich Arsenal), highlights the intrinsic value that creative space brings with it.

Price growth relative to London

Two strong periods of outperformance.

Price growth p.a.



Source: Dataloft, Land Registry

Prices relative to London

Price per sq ft

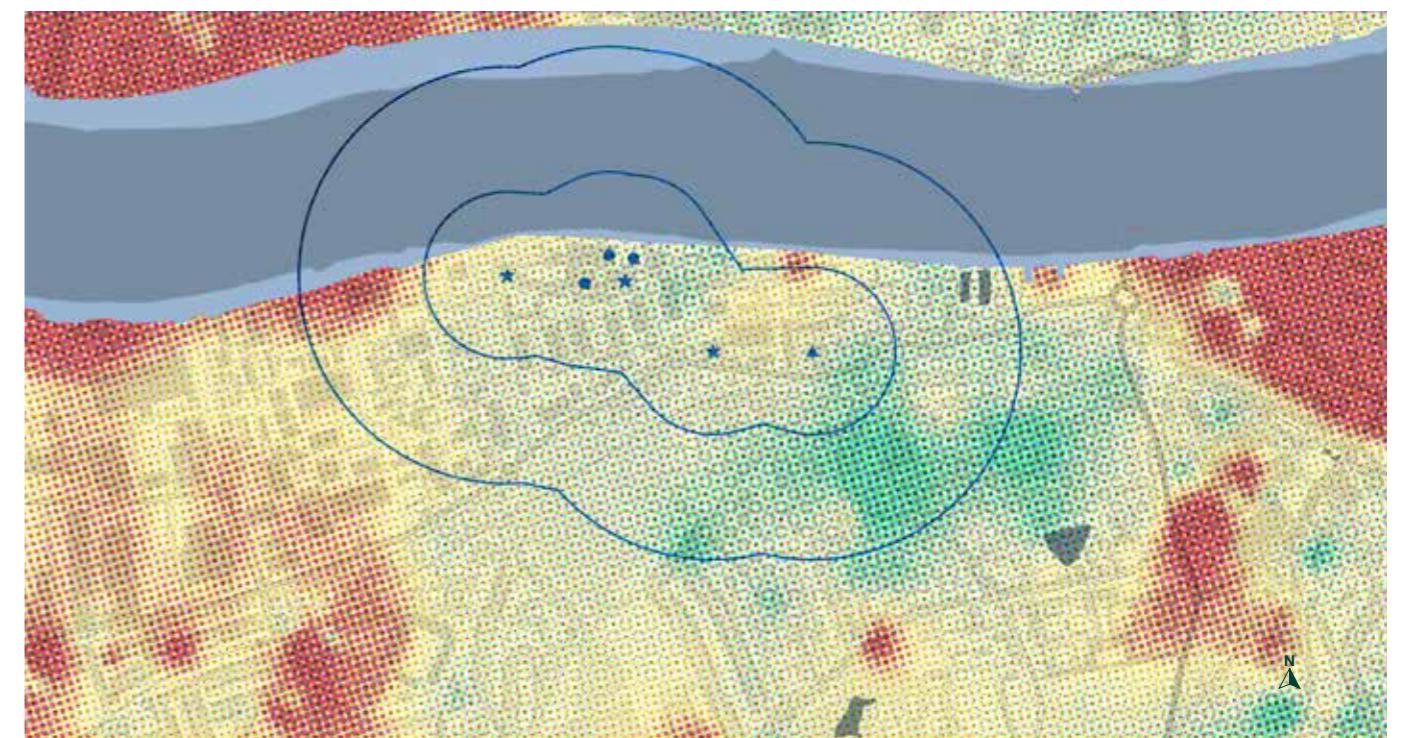


Source: Dataloft, Land Registry



Price paid per sq ft for property transactions in 2019

The heat map shows the higher values to west and east (Woolwich Arsenal) but not yet throughout the Woolwich Dockyard due to limited residential in the area.





- ★ Artist workspace
- ▲ Creative workspace
- Makerspace
- Creative Enterprise Zone
- 200m zone
- 500m zone

Key operators //

Euroart Studios – 2009

North London's largest artist led art studio and workspace complex. 70 studios.

Bernie Grant Arts Centre – 2009

Purpose-built complex with a 274-seat theatre, multi-purpose studio spaces, a boutique cinema, a clustering of 20 enterprise units, and a café & bar.

Mill Co Project – 2014

Social enterprise provider of workspace across three sites.

Over the last 10 years **Tottenham** has cemented its reputation as a home for creative industries, with a strong emphasis on music and other audio production and significant appeal to a younger generation of creatives. It is one of several small artistic clusters around the northern section of the Victoria Line, including the Haringey Warehouse District and Trampery.

We believe a fully committed and pro-active creative organisation such as Euroart will act as a 'beacon' to attract other creative organisations and businesses to the area.

Euroart Report, *Tottenham Regeneration: a New Cultural Quarter*, 2012

Residential performance overview

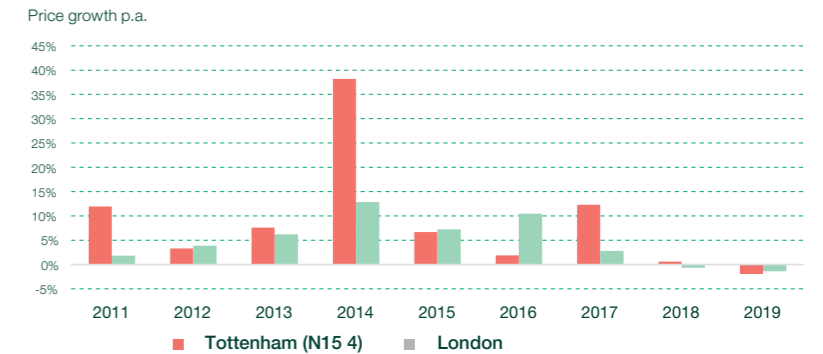
The Mill Co project, which started in Bethnal Green and a couple of sites in Hackney established Tottenham as an affordable and interesting area that was already gaining traction with artistic and creative businesses when they commenced their first project in 2014. In price performance terms, this was exactly the year that there was a step change in pricing. This suggests an association with the growing creative backdrop and flow-on to residential demand.

Tottenham prices have been consistently closing the gap with average London prices over the last 10 years.

Other parts of Tottenham have seen significant investment, e.g. the new football stadium opened in 2019 (N17 9).

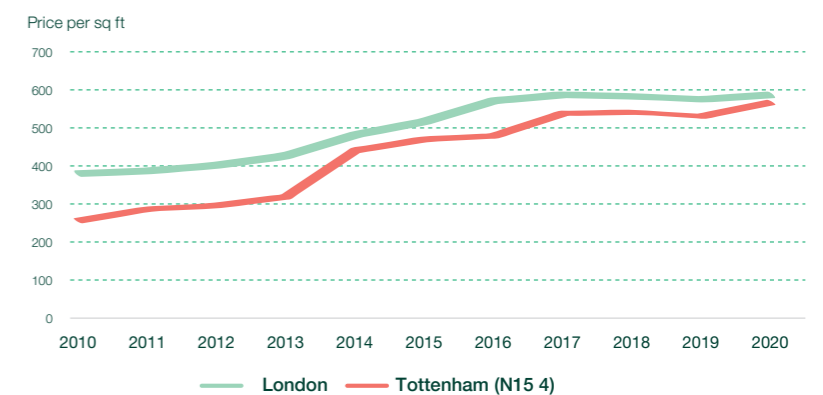
Price growth relative to London

Tottenham prices significantly outperformed London in 2014.



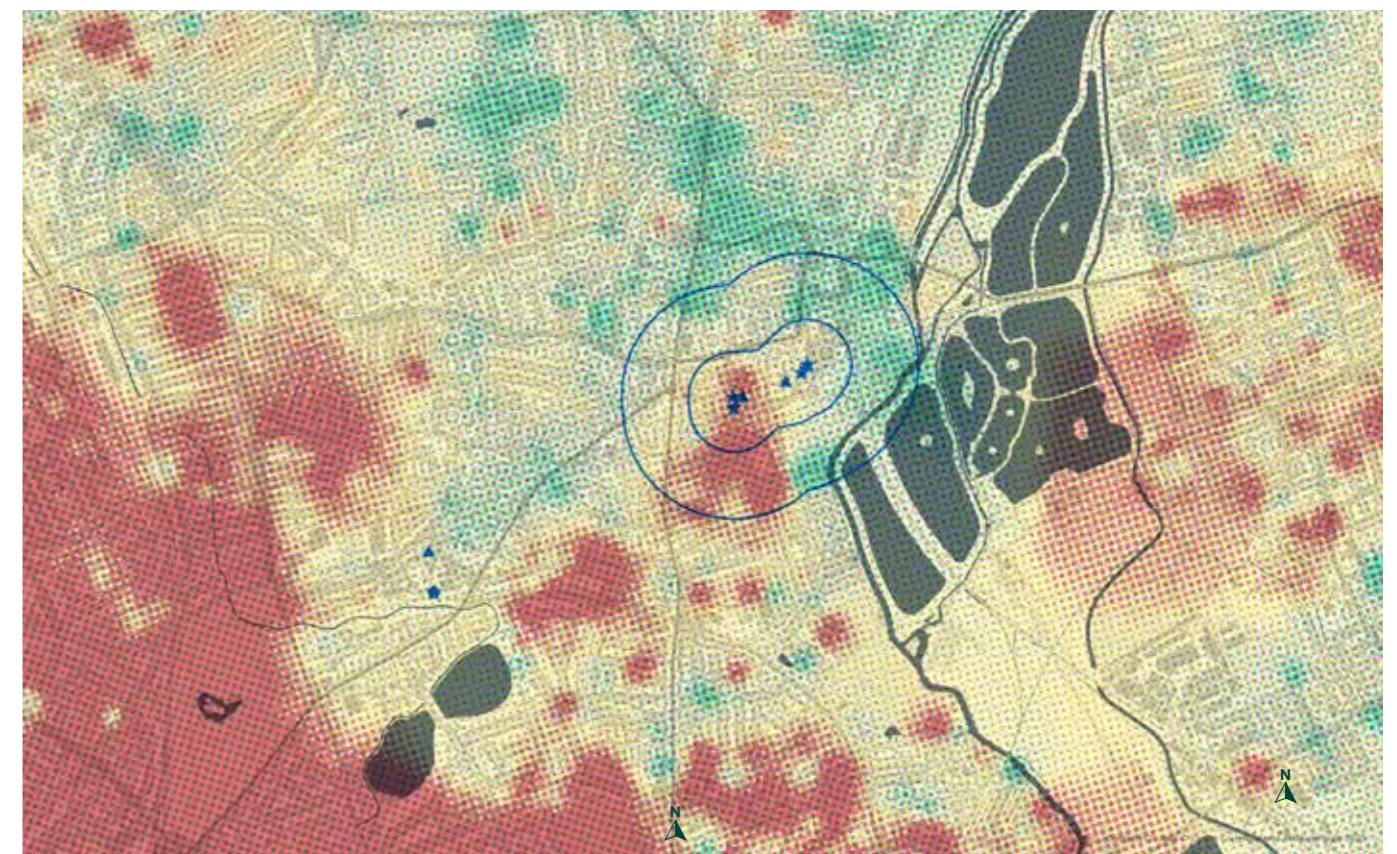
Pricing relative to London

Tottenham prices have played catch up with average London prices.



Price paid per sq ft for property transactions in 2019

The heat map shows the higher residential values in parts of Tottenham closely associated with creative clusters.



5.2 London Case Studies: Schemes

B4



SECOND FLOOR STUDIOS, WEMBLEY

BOW ARTS AT ROYAL ALBERT WHARF

B2



B1

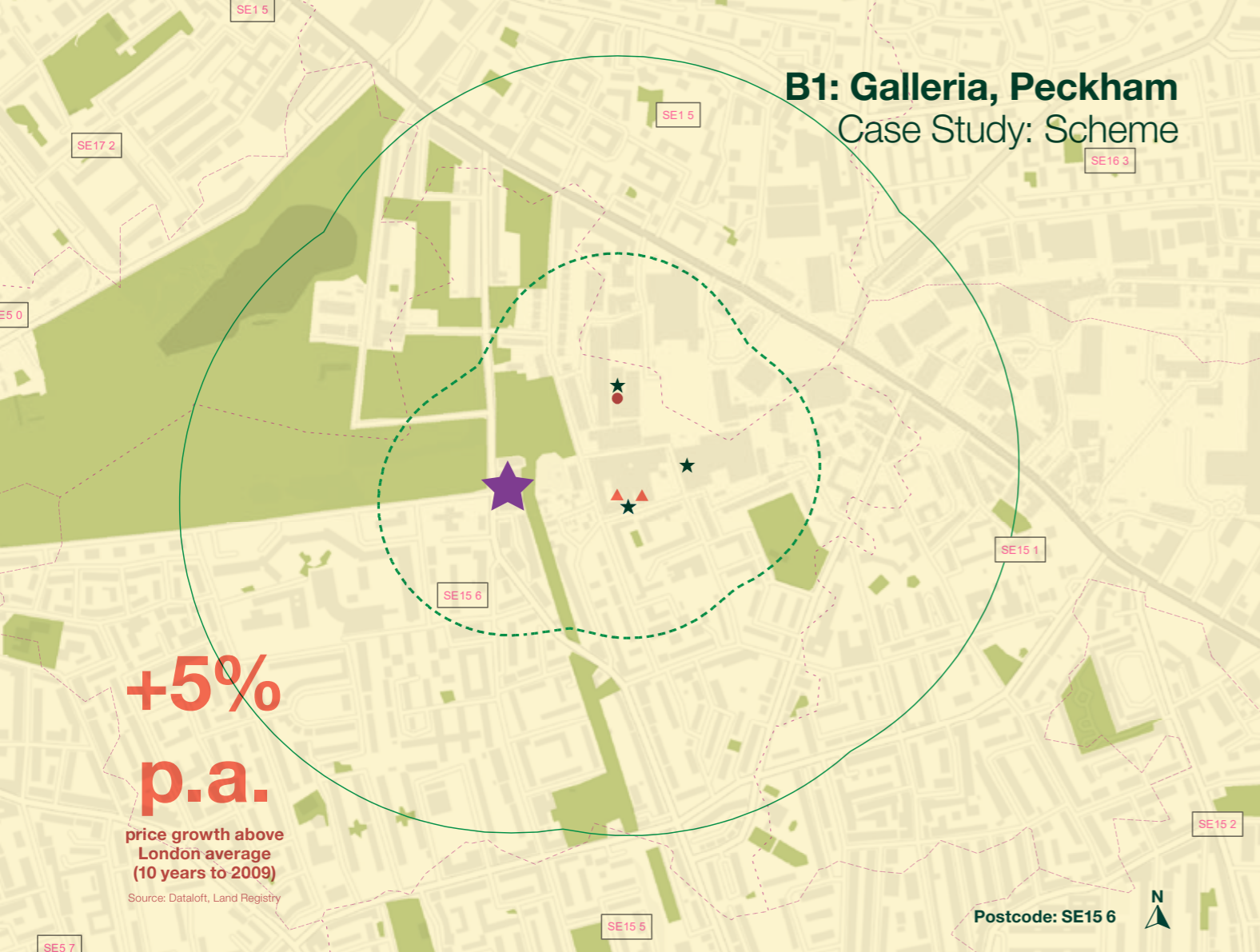


ACME AT GALLERIA, PECKHAM

ASC STUDIOS AT GRAFTON QUARTER, CROYDON

B3





- ★ Artist workspace
- ▲ Creative workspace
- Makerspace
- ★ ACME at Galleria
- Creative Enterprise Zone
- 200m zone
- 500m zone

Key operators //

ACME Galleria – 2005
Parts of a Barratts housing development.

Space Studios – from 2009
70 studios

This space represents the second purchase in their 45-year history – established here between 2009 and 2012.

Artistic Spaces – 2010
Two different sites on Latona Road. 10 and 23 studios on its sites. Company founded in 2010.

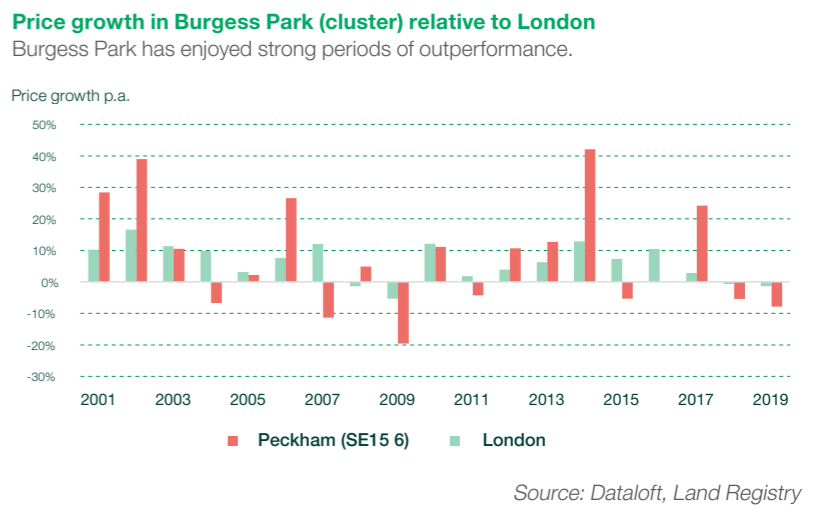
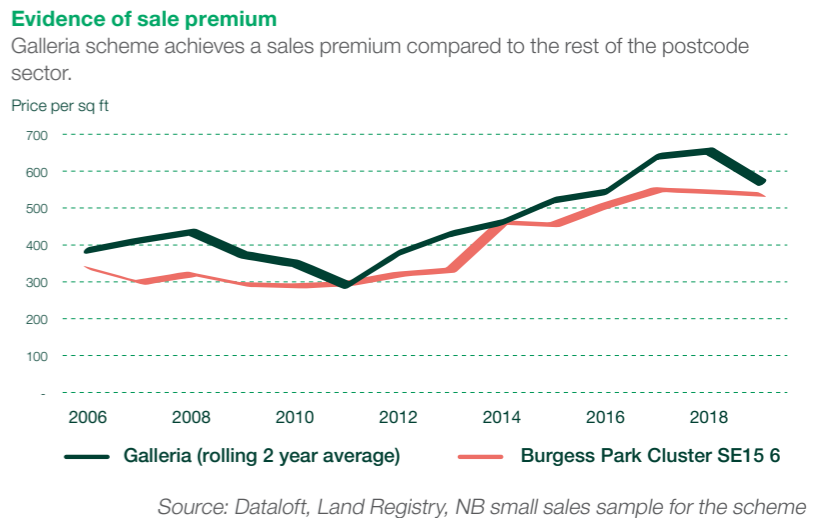
Galleria in Burgess Park, Peckham is a building with 50 creative workspaces developed in 2005. One of the first of the ‘new model’ of artists studios instead of taking secondary space and trying to adapt it, Galleria was purpose built as part of a residential scheme by Barratt. Acme had design input from the outset because Southwark Borough Council wanted to preserve employment land on the site whilst allowing residential development. The project was supported by the Arts Council for England’s Capital Fund and the workspaces were secured on a 155-year lease.

Whilst ACME had been in discussion with various residential developers, Galleria was the first to come to fruition. The scheme satisfied the council’s requirement for employment uses - creative workspaces are use class B1c (light industrial) - in a manner that created far more jobs in the area than traditional light industrial would have achieved. It was also less disruptive and more neighbourly. Finally, it would be fully occupied at a very early point, significantly reducing the risk to voids. Certainly, Galleria would not strike a passer-by as ‘light industrial’ space, it blends with the residential development of which it is a part.

Residential performance overview
Looking specifically for value derived from the Galleria scheme, rental and sales transactions points to the scheme enjoying a premium over the rest of the postcode sector (SE15 6). Between 2012 and 2021, there was a rental premium of 14%, and from construction completion through to 2019 there was a sales premium of 18%.

Initially, the scheme would expect to enjoy a new-build sales premium, but this premium has been maintained, which indicates a level of long-term outperformance. The scheme overlooks Burgess Park, which may be another factor in the premium achieved.

After the arrival of Galleria, a creative cluster began to emerge around it, gaining further traction with the arrival of Space Studios and Artistic Spaces in the early 2010s. Looking at the wider performance of the postcode sector, to analyse the impact of this emerging cluster on residential demand, the timing ties in well with the outperformance evident in 2012, 2013 and 2014, although as ever other factors will have played a role.



B2: Bow Arts, Royal Albert Wharf Case study: Scheme



★ Bow Arts at RAW
 200m zone
 500m zone

Bow Arts at RAW opened in 2017 as part of the Notting Hill Genesis scheme at Royal Albert Wharf. What has been achieved here is this serves as a testimony to the great partnership between the two. The residential scheme consists of a 9.6ha site, which will ultimately provide more than 1,000 homes. The first phase was completed and sold in 2016/2017.

Bow Arts has helped give the area immediate life and vibrancy, and a key part of that has been its active engagement with the local community. This type of curating doesn't happen organically and requires a huge amount of effort from the right kind of operator.

The project came at a time when Bow Arts Trust was actively seeking to move to a model that would provide them with long-term ownership and operation. The project was developed in partnership with Notting Hill Genesis, one of the UK's largest housing associations. RAW provides 40 studios in a waterfront setting on one of the largest enclosed docks, as well as RAW Labs, its community hub and cafe.

Bow Arts Trust argues that while it is never hard to fill new residential developments, it is harder to attract business to commercial space. As a consequence, empty ground floor units beneath new developments are scattered across London. RAW's studios began to populate the commercial space very quickly – the Trust says it can deliver 95% occupancy in the first year – and that, when combined with its outreach and educational programmes, the artists help foster a real community spirit.

The partnership at RAW has been sufficiently successful that the entire commercial estate is now under its management, with a philosophy of 'no vacant commercial space'. From the outset, it moved to 'activate' space even while the residential element was being marketed, an example being Yinka Illori's "Playground Estate" installation.

Residential performance overview

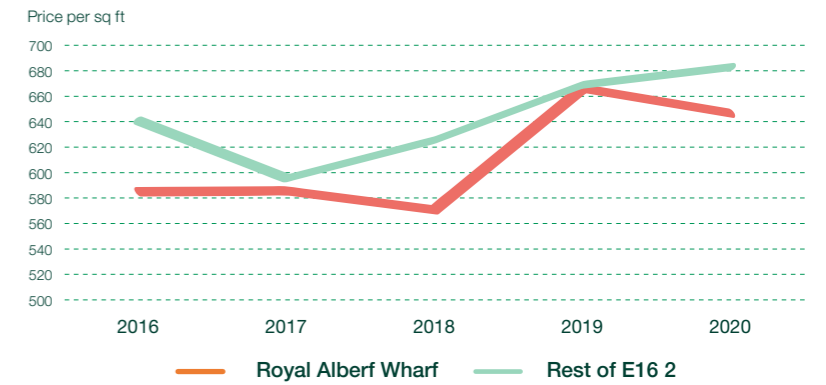
RAW is notable because the creative workspaces were developed first, used not only to fulfil the need for space for artists, but to open up and bring life to the area, so that those viewing potential homes in the area were not confronted with a stereotypical 'windswept wasteland'.

Looking at the story in residential values, both sales pricing and rental values on Royal Albert Wharf have largely matched values across the whole E16 2 postcode. This is a tribute to the scheme that these high values have matched the values at the more westerly end of the Docks with their closer proximity to Central London.

Alongside the beneficial impact of Bow Arts and the life it breathed into this scheme, the proximity to the river also plays a key role in supporting sales and rental values. Mapping of sales values highlights the unusual patterns of values in this area. Given the presence of the London City Airport, not all of the riverfront has been able to be exploited.

New build values

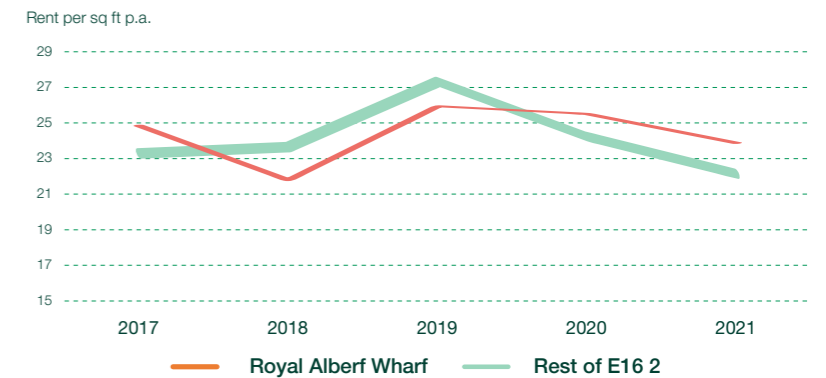
Royal Albert Wharf values are close to matching sales values across E16 2.



Source: Dataloft, Land Registry, NB small sample for scheme

Rental values

Royal Albert Wharf rental values versus rest of postcode sector.

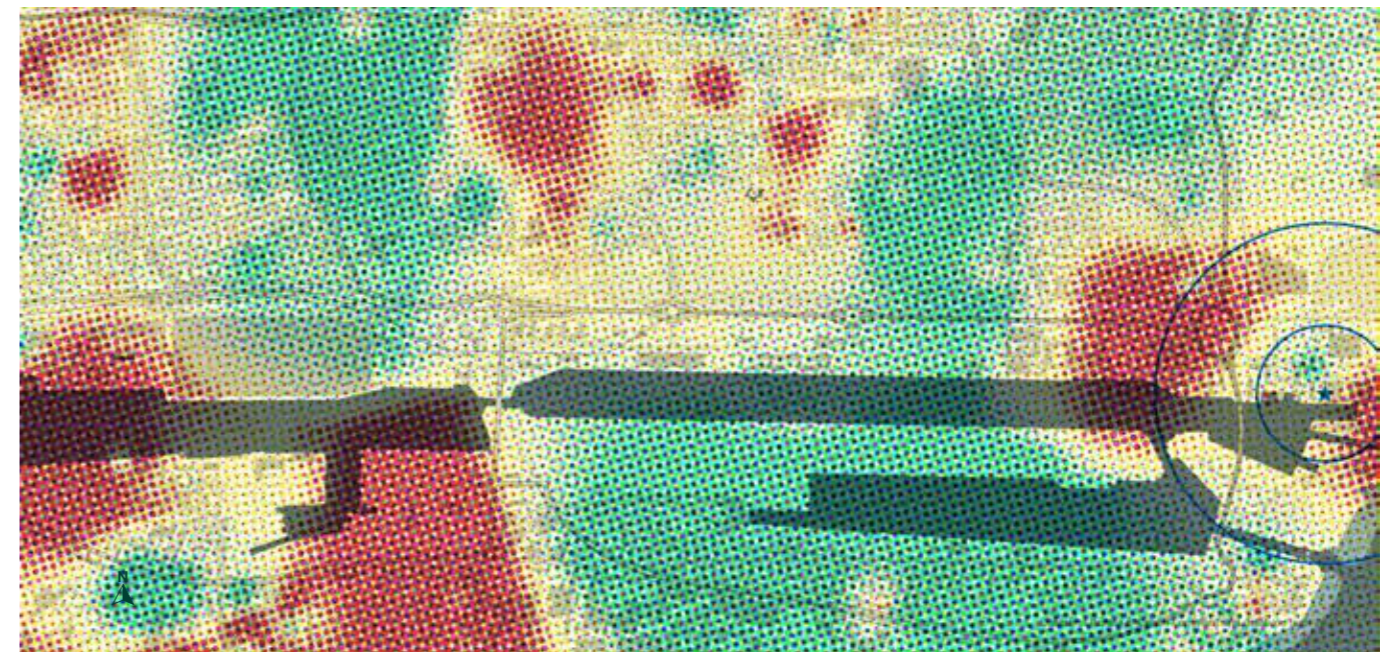


Source: Dataloft, DRMA, NB small sample for scheme

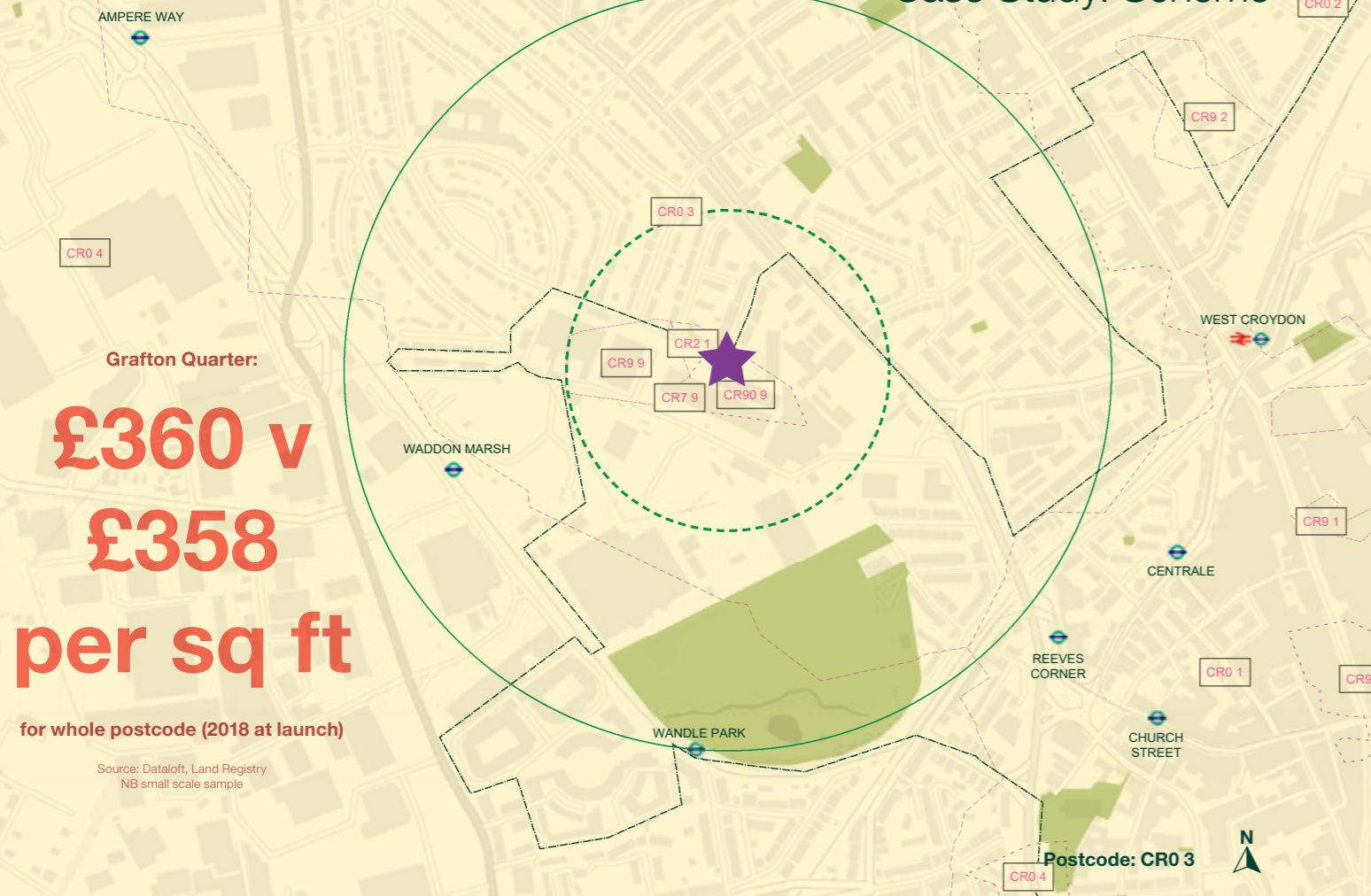
£580 per sq ft
 £350 per sq ft

Price paid per sq ft for property transactions in 2019

Royal Albert Wharf has successfully pulled higher values to the remote easterly part of the Docks comparable with the more central westerly part.



B3: ASC Arthouse, Croydon Case Study: Scheme



ASC Studios



Creative Enterprise Zone
200m zone
500m zone

Grafton Quarter's artists space came about when the original owner of the former industrial site, approached Artists Studio Company (ASC) about taking on the employment element of the scheme, required as a planning obligation for its Grafton Quarter mixed-use development.

Artist studios were considered a 'like-for-like' replacement for light industrial because they shared a common use class, namely B1c. ASC was able to argue that their proposal offered better job creation potential, in terms of density, than typical light industrial uses built around small 'shed' style developments.

Art House is a 33,000 sq ft gross internal area (23,000 sq ft net) new purpose-built building operated by ASC studios with a 125-year lease. It provides 104 studios for artists and designer-makers completed in 2018. Although all classed as artist studios, many of the space are more akin to small offices, including quiet work areas such as photo studios.

Residential performance overview

Croydon was trying to get a major regeneration underway for many years as it dealt with a burden of a hugely over-built and obsolescent office stock. As a consequence it has seen a significant level of house building, not only new-builds but also office-to-residential conversion.

As Grafton Quarter is a relatively new project, it is challenging to draw any conclusions about the wider impact of the creative workspaces. However, ASC - in common with other operators - is likely to expand its profile in the local area once the scheme is fully 'bedded in', and this will be significantly easier from a permanent base. As the company says on its website:

Our current business plan is largely based on acquiring long leasehold or freehold property at below market value. This year we will own over 4553 m² of new build property acquired at below market value through s106 agreements.

The scheme comprises 1, 2 and 3 bedroom apartments, as well as townhouses, in a landscaped square. In total, there were close to 100 new homes completed in 2018.

The arrival of ASC Studios is certainly a new dimension to the market and whilst it remains too early to judge the real impact, the large scale of this studio space has the potential to make a real difference to the ongoing vibrancy of this scheme.



Top Right - Bottom Right

ASC Studios on Grafton Road
(© Artists Studio Company,
© Artists Studio Company and artist Adébayo Bolaji,
© Artists Studio Company)

B4: Second Floor Studios at Wembley Case Study: Scheme



- ★ Artist workspace
- ▲ Creative workspace
- Makerspace
- Creative Enterprise Zone 200m zone
- Creative Enterprise Zone 500m zone

Second Floor Studios opened their purpose-built artists' studios at Wembley Park in February 2018. Wembley Park is Quintain's major mixed-use regeneration of 85 acres of land around Wembley Stadium. The initial masterplan included provision of 26,000 sq ft (2,415 sq m) of affordable workspace (at no more than 50% of the market rate).

Quintain and Brent jointly selected Second Floor Studios & Arts (SFSA) to manage the space in 2017, with SFSA signing a 15-year lease for the first phase of 7,500 sq ft (695 sq m) workspace.

The studio provision was delivered through this partnership with Quintain and supported by Brent Council (who provided grant funding for the fit-out costs). The support from Brent helped ensure the provision of a stable, long-term affordable home for creative entrepreneurs, with priority secured for Brent residents applying for space.

The studios opened in early 2018, and today 33 artists and creative practitioners work from the studios, almost half of whom are Brent residents. The studios support these small businesses, contribute to the local economy and have added to the vibrancy of the area.

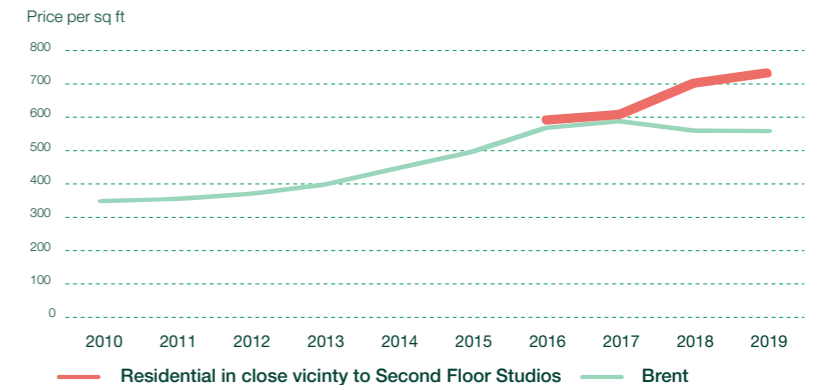
Residential performance overview

With its 85 acres of redevelopment and a masterplan for thousands of new homes, Wembley Park is one of Europe's largest regeneration projects. Second Floor Studios represents just part of the amenity provision and placemaking that Quintain included in their masterplan. Higher prices have been driven by a range of factors and enhanced amenities. For instance, the theatre and Box Park also opened in 2018.

Like other parts of the scheme, there is a clear new-build premium for residential sales around Second Floor Studios (Emerald Gardens) achieving a 26% premium over Brent borough prices in 2018 and 2019. This premium reflects the success of the entire scheme; the presence of creative workspace is just one ingredient in a much bigger picture. This initiative proves that developers believe in the value of providing creative workspace and have made a commitment to do so. With the studios only opening in 2018, it remains early days to judge the full value that this creative workspace brings.

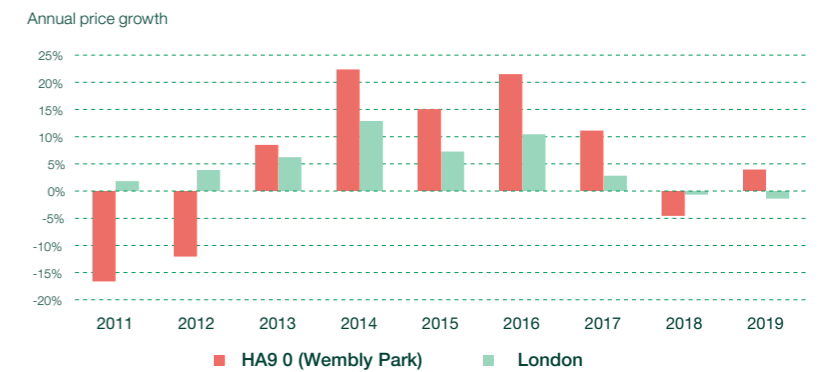
Sales prices

New-build premiums evidence the success of Wembley's regeneration scheme.



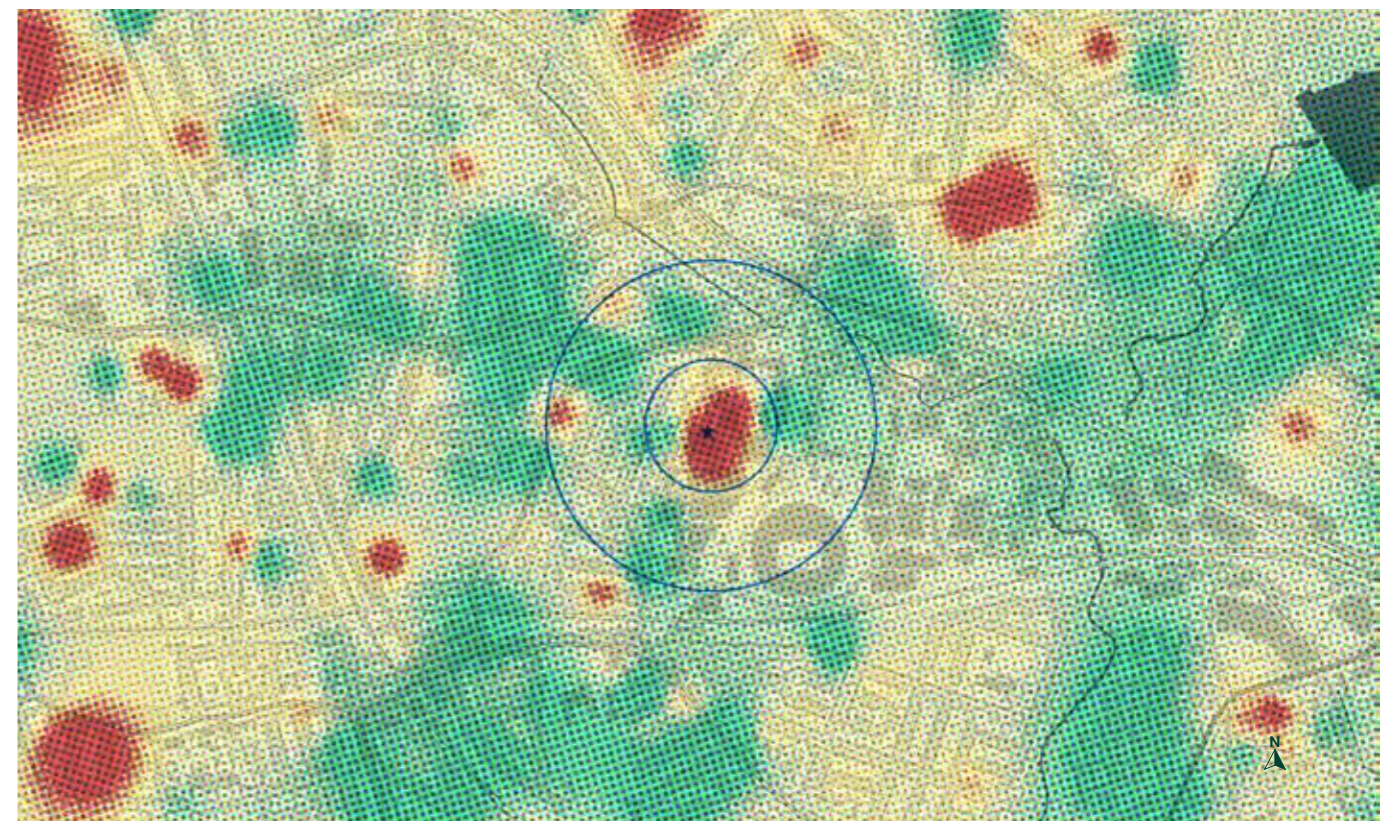
Annual price growth

Regeneration at Wembley has driven significant price outperformance.



Price paid per sq ft for property transactions in 2019

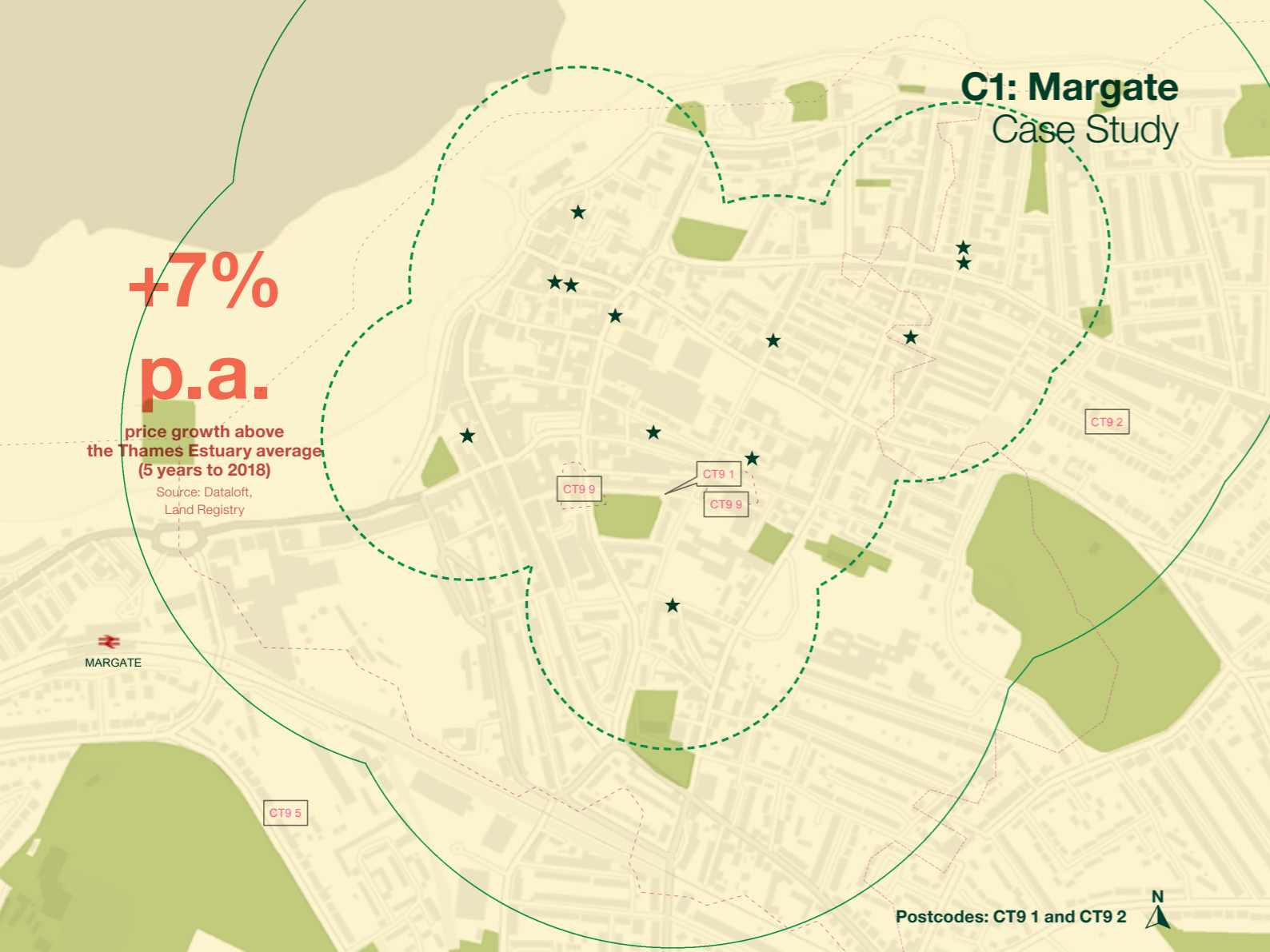
The successful regeneration at Wembley has set new higher prices for the area.



5.3 Thames Estuary Case Studies: Kent and Essex

Throughout this section where the report refers to the Thames Estuary, we are referring to the Kent & Essex parts. This 'Thames Estuary: Kent & Essex' definition is used for all benchmarking of prices and rents.





C1: Margate Case Study

+7% p.a.
price growth above the Thames Estuary average (5 years to 2018)
Source: Dataloft, Land Registry

★ Creative workspace, artist workspace and makerspace
 [Dashed Green Box] 200m zone
 [Solid Green Box] 500m zone

Key operators //
LIMBO – 2003
 LIMBO is the longest-standing artist studio complex and project space in Margate; it was set up in 2003, on the site of an electricity substation, just off Margate's high street. LIMBO is one of the few arts organisations in Margate that is run by independently of public funding bodies, and by and for the artists who work there.

CRATE – 2006
 Based in an old print works near the seafront in Margate, CRATE's building was bought and refurbished with support from Arts Council England South East, East Kent Partnership and Thanet District Council. The three-floor building combines working and project space designed to give artists access to dedicated, affordable space. The project spaces are available for short-term use by practitioners, alongside a programme initiated by CRATE.

Margate has a very strong creative community. Creative workspace is found across Margate, with a strong cluster of creative activity in the highlighted postcodes (CT9 1 and CT9 2). The inception dates of key operators provides insight into the building momentum of creative activity in the area. The arrival of Turner Contemporary in 2011 was another pivotal moment in Margate's journey.

HKD & Marine Studios – 2009
 HKD is a design studio specialising in museum and science centre design. HKD founders took on office space larger than needed in order to set up Marine Studios – an open workspace and creative community built around their practice. Marine Studios offer permanent desks, roaming desks for freelancers and studio spaces. They regularly host events.

Resort Studios – 2013.
 The arrival of Resort Studios in 2013 felt like a pivotal moment for the creative community in Margate. Resort Studios has stood as an exemplar model for nurturing a strong creative community. In addition to studio space, it offers three main production facilities: a printmaking studio, a photographic darkroom and a project and exhibitions space. Home to 50 businesses, it is likely that it will have to relocate, with the possibil-

ity of taking meanwhile space for around two years before a more permanent base can be secured.

A+C – Relocated to Margate in 2014
 A+C relocated to Margate in 2014, drawn by the vibrant creative community with the ambition of growing its team of animators, storytellers, technicians and makers. Located at The Old Laundry, the site includes three animation production studios, a model-making workshop, motion design studio and editing suite.

Studio TAC – Opened in 2016
 A design & build studio at its core, Studio TAC was started by a designer and an artist, combining a portfolio of architecture, art curation, interior design and creative project management.

PRAH Recordings / PRAH Studios – 2017
 PRAH Studios is located in a converted industrial space, which includes a recording studio, workshops and desk spaces for creative tenants and an event space.

Printworks – Completed in 2018
 A mixed-use creative studios in a converted Victorian building. It is home to architects, film makers, musicians and other creative tenants.

Pie Factory Margate
 Pie Factory Margate is a venue for exhibitions and events in Margate Old Town. The gallery hosts a changing programme of exhibitions and events.

Residential performance overview
 Margate had a nascent artistic community from at least 2003, with the setting up of LIMBO In 2006, Crate was established when a group of seven artists identified the need for a place where artists and creatives could meet and work together. This led to the setting up of Resort in Cliftonville in 2013. As others became involved various funding sources enabled Resort to expand and eventually employ a manager.

As more studios opened, Margate started to develop a reputation as a creative place. The opening of Turner Contemporary and the reopening of Dreamland caused significant media attention, which in turn fuelled further growth.

The building momentum in Margate's creative community has been matched by rising residential demand. Local estate agents note that a key source of demand is from Londoners attracted by the creative scene and affordable housing costs (current residential values per sq ft in Margate are £225 versus an average of £331 across the Thames Estuary and £587 in London).

Rising demand has been reflected in stronger residential price growth since 2014. This ties in with the arrival of Resort Studios in 2013, the acknowledged trail blazer for the creative community here. Margate house price growth outperformed the Thames Estuary average in four of the six years between 2014 and 2019.

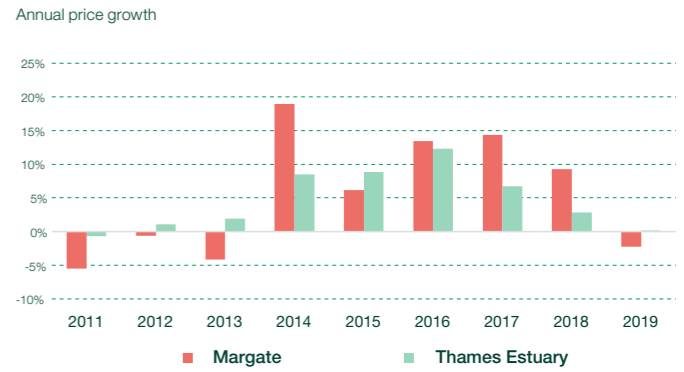
The five years to 2018 is the strongest performance window, with Margate prices outperforming the Thames Estuary by 7% per annum. This is the strongest outperformance across the Thames Estuary creative clusters analysed and is indicative of the strong creative brand that Margate now represents.

Of course, its location by the sea is another key draw for Margate. The addition of high-speed rail service (2009) has also made the town more attractive to London commuters.

However, there is now some concern that, while Margate has attracted many creatives, most of these do not own property and, as a consequence of its success, can no longer afford to live there. This has been significantly aggravated by the post-COVID-19 boom in holiday rentals that, in common with many other coastal locations, is pushing out long term renters. This places some pressure on the vibrancy and viability of the creative community.

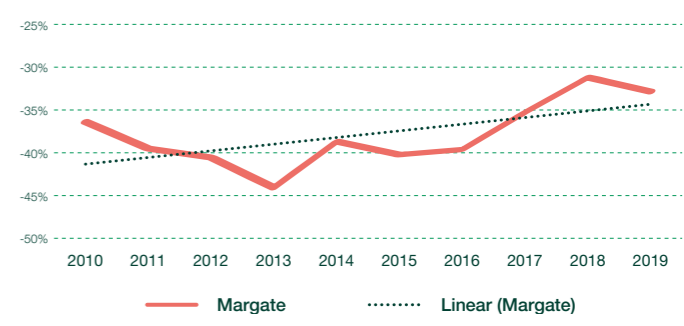
A Town Fund deal includes £6m funding to establish a creative land trust for the town, but concerns remain that Margate could find itself with a cultural scene defined by its economic benefits rather than for its own sake.

Price growth relative to the Thames Estuary
 Margate has outperformed the Thames Estuary average in four of the six years between 2014 and 2019.



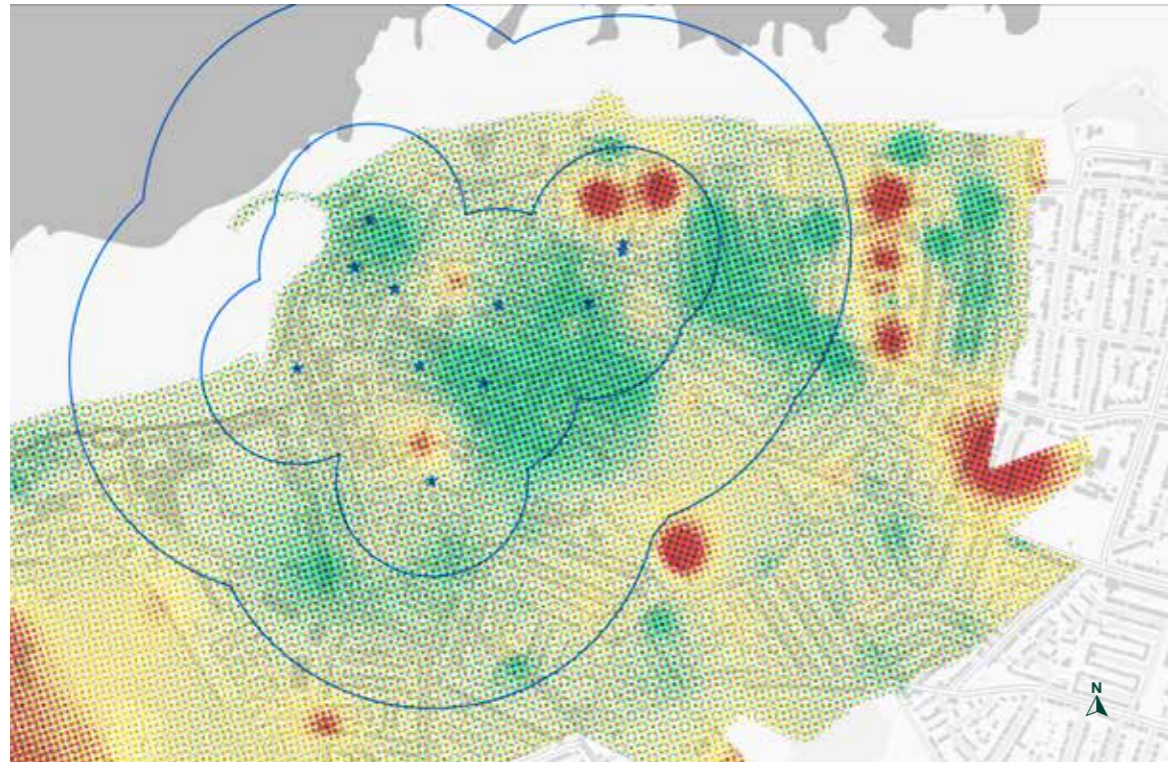
Source: Dataloft, Land Registry, based on per sq ft values

Pricing relative to the Thames Estuary
 Margate residential prices have been rising relative to the Thames Estuary average.



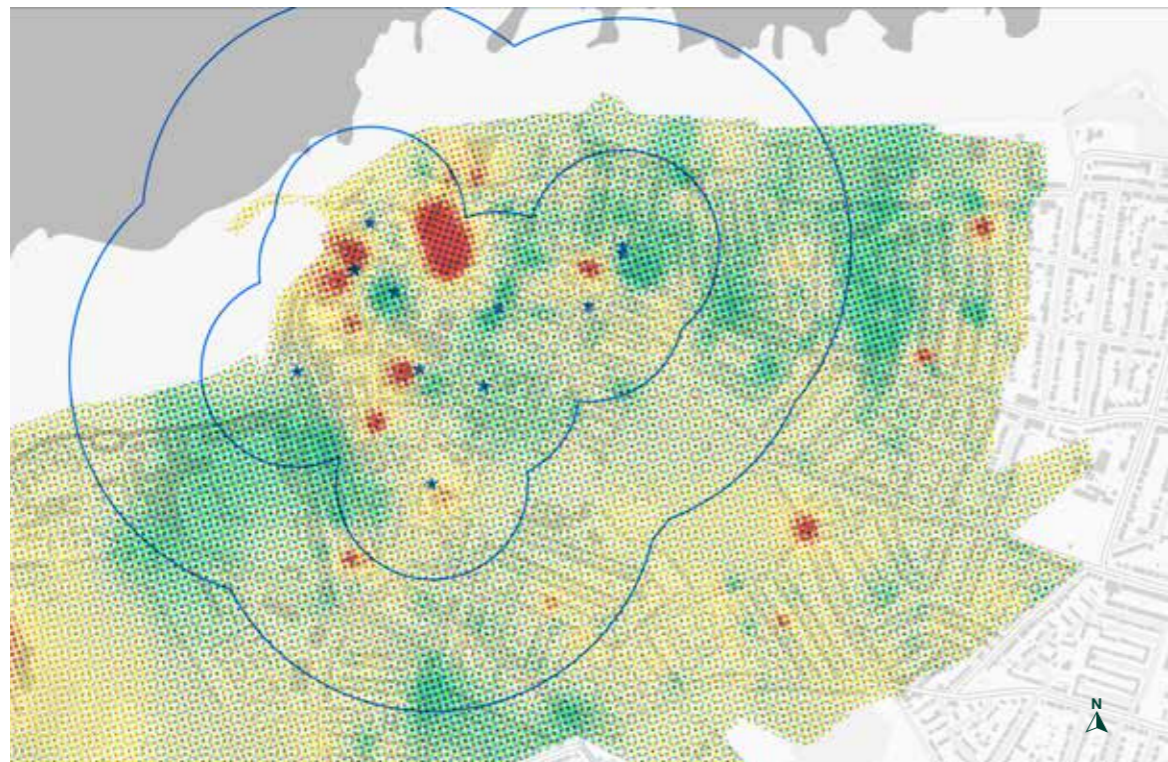
Source: Dataloft, Land Registry, based on per sq ft values

Price paid per sq ft for property transactions in 2010



£300 per sq ft
£90 per sq ft

Price paid per sq ft for property transactions in 2017



£300 per sq ft
£90 per sq ft

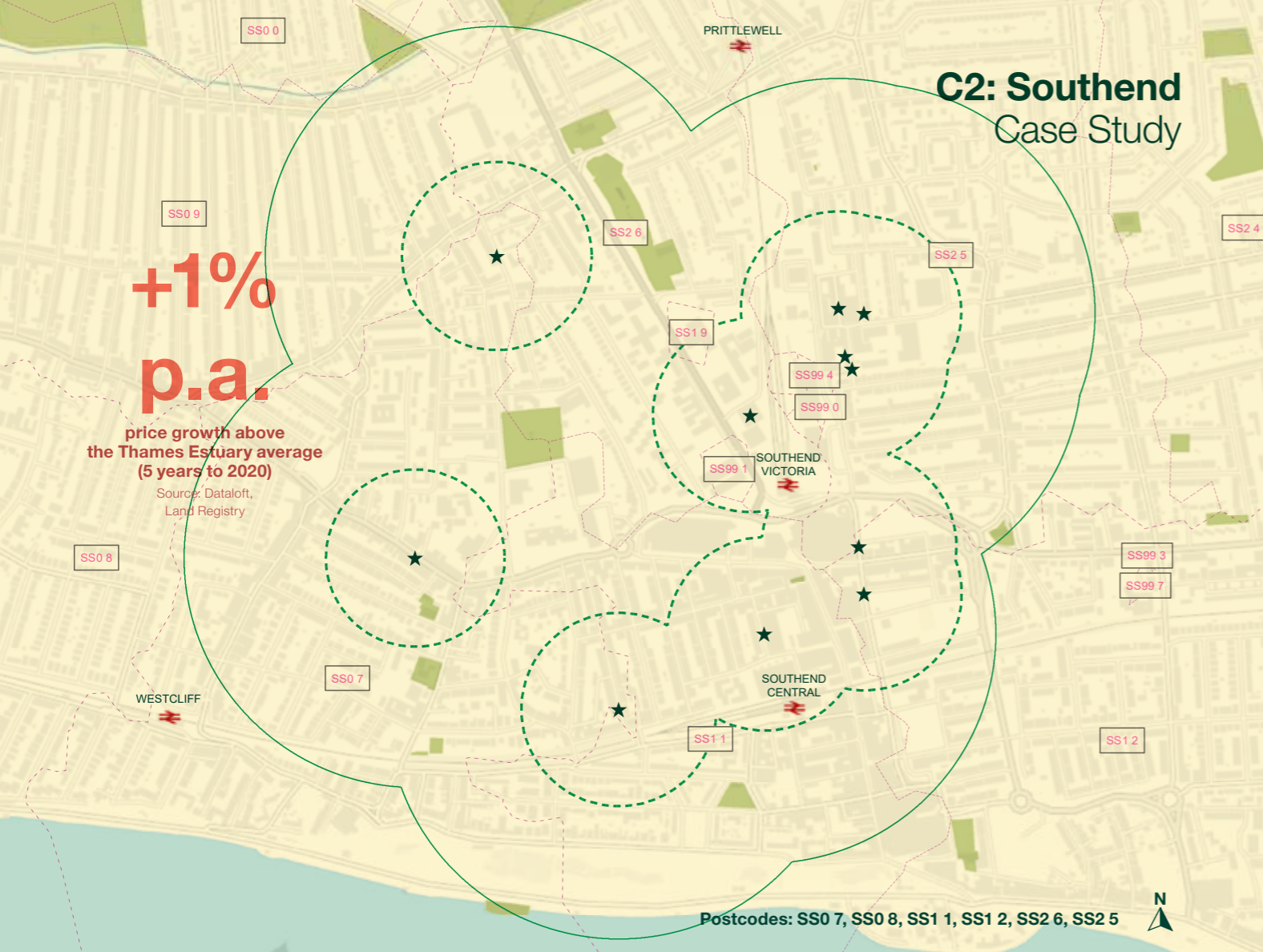
Comparing values in 2010 and 2017 shows the growing incidence of higher residential values alongside creative spaces.



Top Left
Turner Contemporary
(© Hufton & Crow)

Middle Left
Resort Studios
(© Adam Scott)

Bottom Left
Pie Factory
(© Julie Whicker)



Southend is a coastal resort town 40 miles east of Central London and within relatively easy commuting distance. It has a strong network of creative businesses with industry experience, working within the town based in a physical workspace or working from home and serving clients remotely. There is an infrastructure of managed studios and workspaces that support creative capacity. Outside the town centre, there is a cluster of creative production activities based in industrial space. There may be an opportunity to make the production activities more visible in the town centre.

The provision of suitable flexible workspace options, together with good digital connectivity, has enabled Southend to attract a community of creative businesses that were formerly located in London, at higher cost. Businesses are often able to consider owning their working premises in Southend – an option that would have been precluded in London. (Based on Thames Estuary Production Corridor Evidence Encyclopaedia.)

Key operators //

Metal – 2009

Research and education centre supporting artistic research and development through studio space and an education programme.

The Forum – 2013

Library, educational and gallery space.

The Hive – 2015

Membership-based serviced offices and coworking space in the refurbished Southend Library.

TOMA – 2016

Alternative art education provider in association with Metal.

Old Waterworks

Artists studio, print workshop, film screening room and shared workspace based in a former pumping station in Southend.

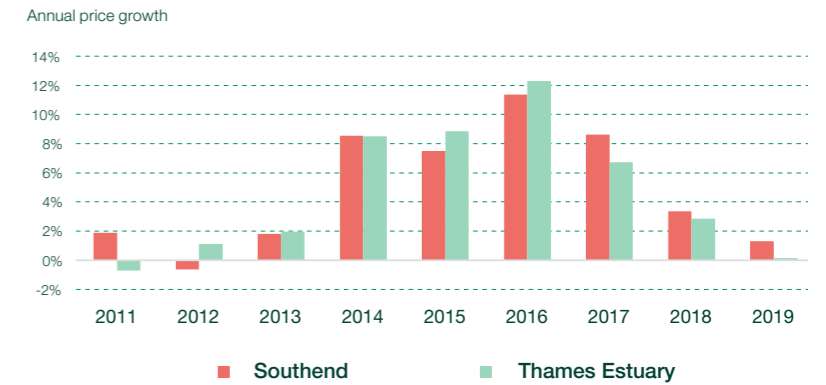
Residential performance overview

For the most part, Southend residential prices have performed very much in line with average performance across the Thames Estuary. As such, there hasn't yet been a significant step change in pricing.

Whilst many factors affect residential demand, the strongest performance in the Southend follows on from the opening of The Forum (2013), The Hive (2015) and TOMA (2016), suggesting these could have been an influence in driving a slight uptick in residential demand that flowed through to prices in the following years. Outperformance has been limited to date but may be more significant if the creative community continues to grow.

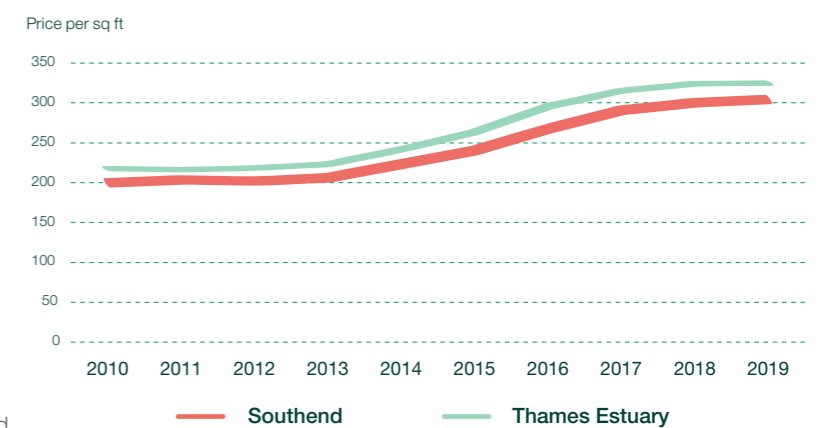
Price growth relative to the Thames Estuary

Southend has seen marginal outperformance over the last few years.



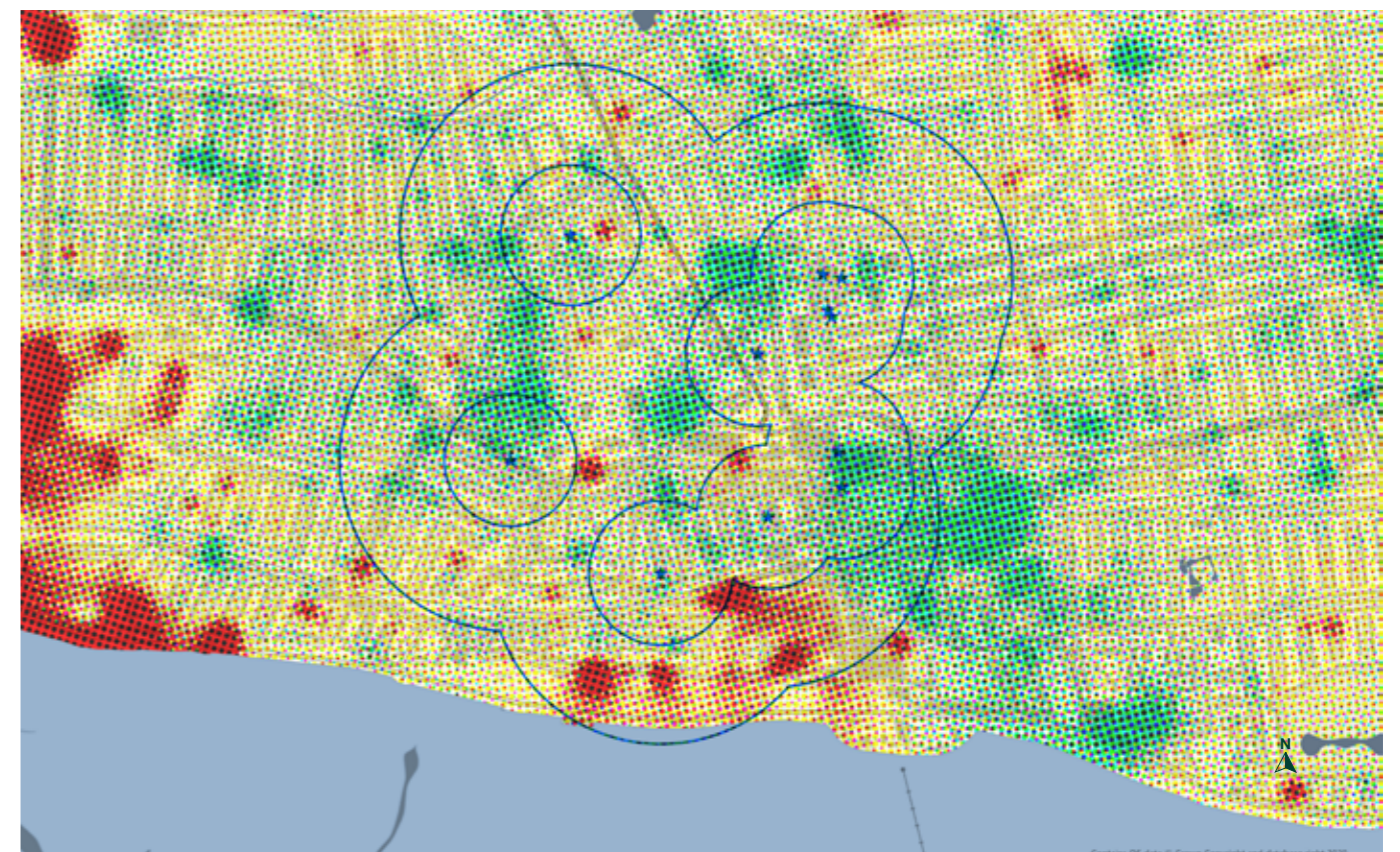
Residential prices

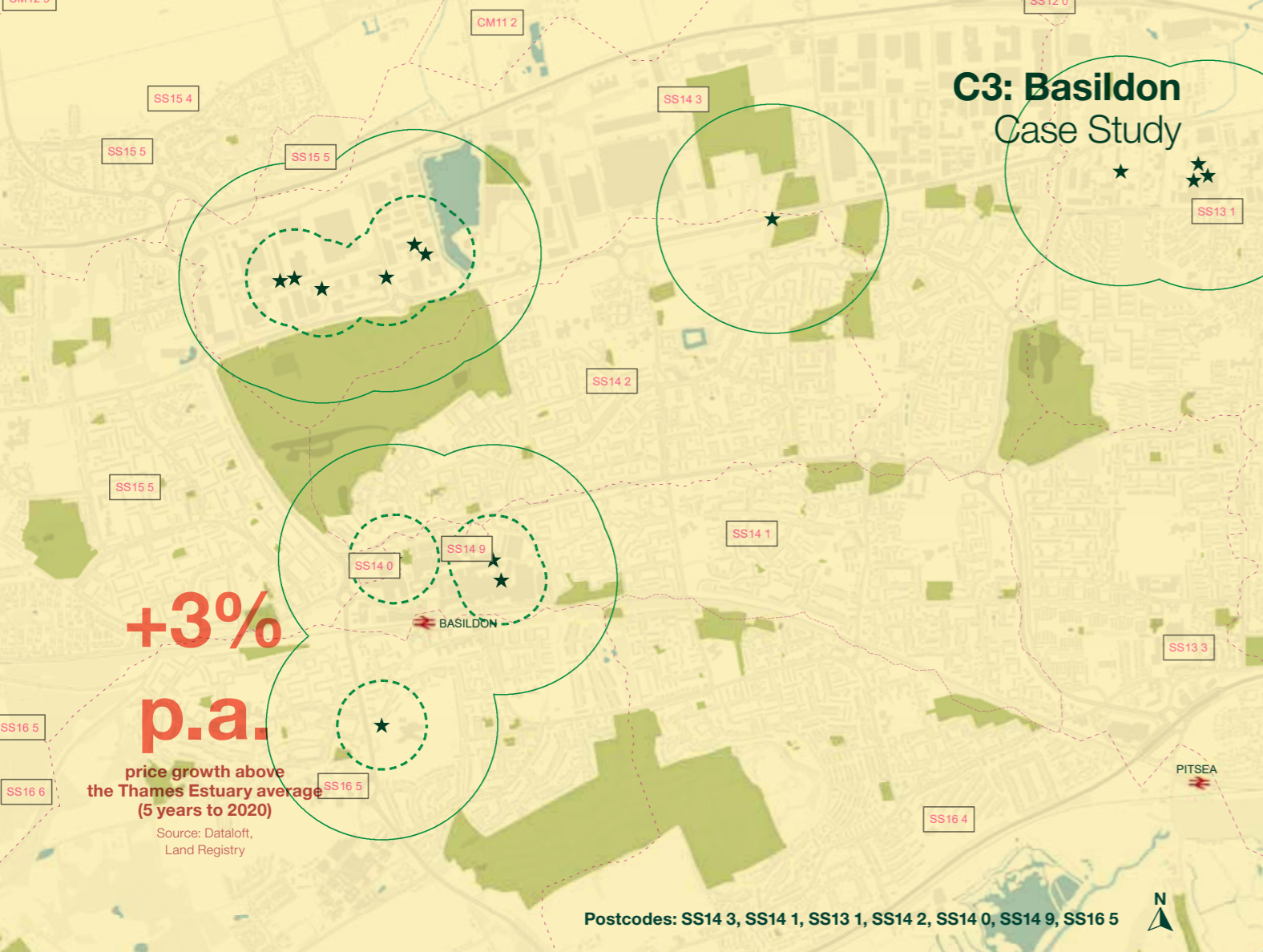
Southend has tracked price levels across the Thames Estuary.



Price paid per sq ft for property transactions in 2019

For Southend, as an emerging creative area, there is a limited association between higher residential values and creative space to date.





Basildon is around 25 miles east of London with a fast train connection to the city. Typical of a new town, employment uses were segregated from residential from the outset. The economy has an advanced manufacturing sector with supply chain capacity for processes valued by the creative sector.

There is capacity in the town centre for retail and office stock to repurpose and accommodate creative sector businesses and enable them to make their work visible to the wider public. Basildon also has a good stock of industrial workspace units of reasonable quality.

Unusually, Basildon has an underwater studio with underwater film and training facilities as well as an underwater stage, green room, dry studio and production room. The studio also has a removable roof. Other specialist spaces include: sculpture studios for large-scale sculpture and fabrication, a music academy with recording and rehearsal studios, and an embroidery and screen printing service. There are also gallery and performance spaces including: East Gate Art Gallery (for local artists); Craft Shed – open access painting and pottery facilities and Theatretrain, delivering performing arts classes and training for young people.

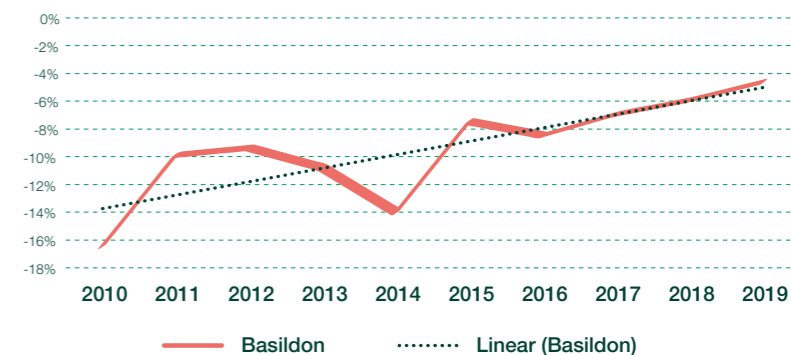
Residential performance overview

Basildon is unique among the study areas in being a New Town, created under the New Towns Act of 1946. A critical feature of New Towns is a far higher degree of segregation between residential areas and employment zones. Basildon experienced many of the issues faced by the first-generation New Towns. It is somewhat under-served with a property stock that aged poorly and housing stock that has underperformed the South East.

This means that evaluating the impact of creative workspace on residential property prices is problematic. Although there was an evident step change in Basildon's relative values since 2010, drawing a link between this and the development of creative endeavours would be somewhat of a stretch.

Pricing relative to the Thames Estuary

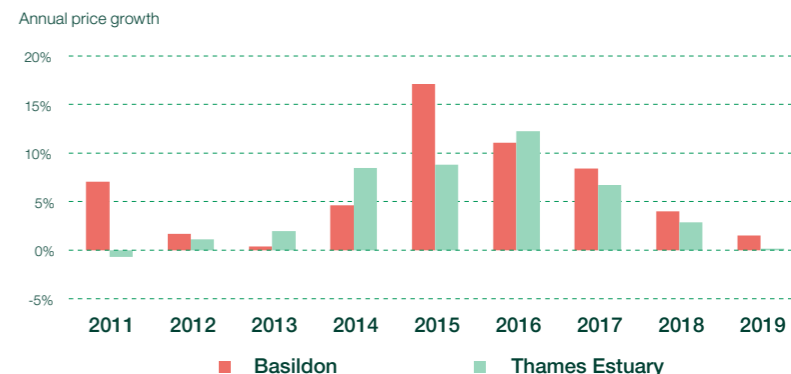
Basildon prices have seen a step change in pricing from a 16% discount compared to the Thames Estuary average in 2010 to a current 4% discount.



Source: Dataloft, Land Registry, based on per sq ft values

Price growth relative to the Thames Estuary

Basildon price growth exhibits strong outperformance in 2011 and 2015.

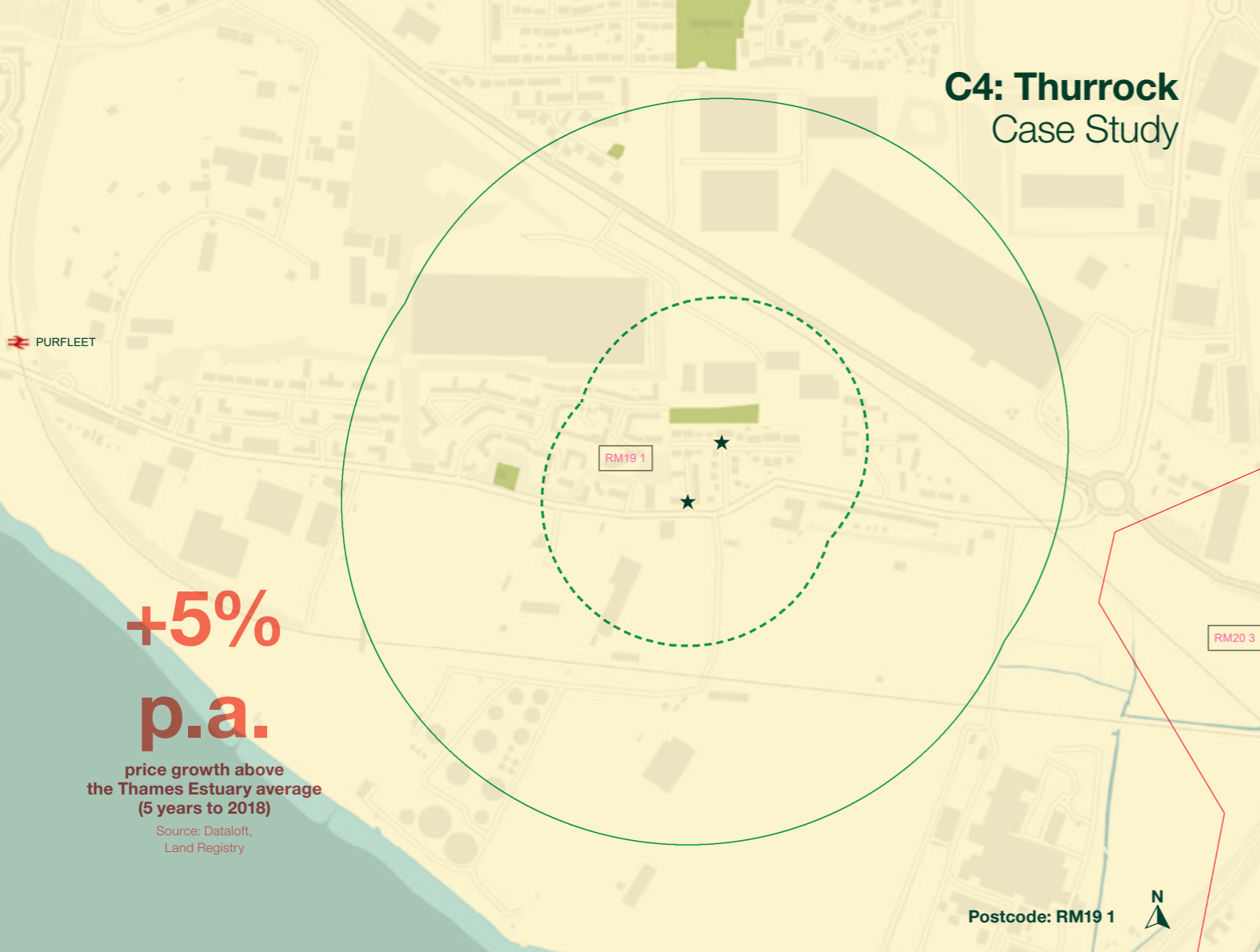


Source: Dataloft, Land Registry, based on per sq ft values

Bottom
Open Lab 21,
(© Open Lab 21)



C4: Thurrock Case Study



**+5%
p.a.**

price growth above
the Thames Estuary average
(5 years to 2018)

Source: Dataloft,
Land Registry

Postcode: RM19 1

- ★ Creative workspace, artist workspace and makerspace
- 200m zone
- 500m zone

Key operators //

High House Production Park – 2010

ACME – 2013
17,500 sq ft of studio space.

Second Floor Studios – 2021

Second Floor Studios announced in June 2021 their intention to open here.

Thurrock is the most significant cultural production hub in the Thames Estuary Production Corridor: an anchor and driver for other production facilities and a key skills provider. The High House Production Park (HHPP) is an internationally significant centre for technical skills, crafts and artistic production.

The first phase of development of the 14-acre site, its heritage buildings and public park, was completed in 2010 with the opening of the Royal Opera House's Bob and Tamar Manoukian Set Production workshop (the Costume Centre opened later in 2015).

In 2013, the Creative & Cultural Skills' Backstage Centre was launched, a world class production, rehearsal and training venue for performance, broadcast and live events.

Acme Studios opened the High House Artists Studios in October 2013, a new building that reflects the latest thinking in creative workspace (17,500sq.ft of studio space). Acme had the unusual advantage that the site was assembled by a development agency. Consequently there was no land cost to carry. Thurrock rents are significantly below those that can be attained in London.

Residential performance overview

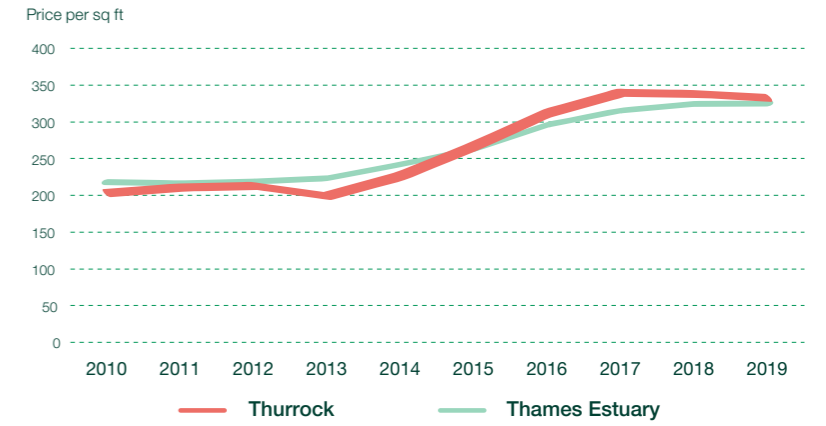
With such ambitions to grow production capacity and integrate with a wider range of facilities here, it is clear that the beneficial flow on of this creative workspace is likely to increase.

The strengthening creative story has run alongside significant new-build residential construction in this area, which has been the chief driver of house price outperformance to date.

Given its proximity, Thurrock is well-placed to benefit from spillover demand from London.

Residential prices

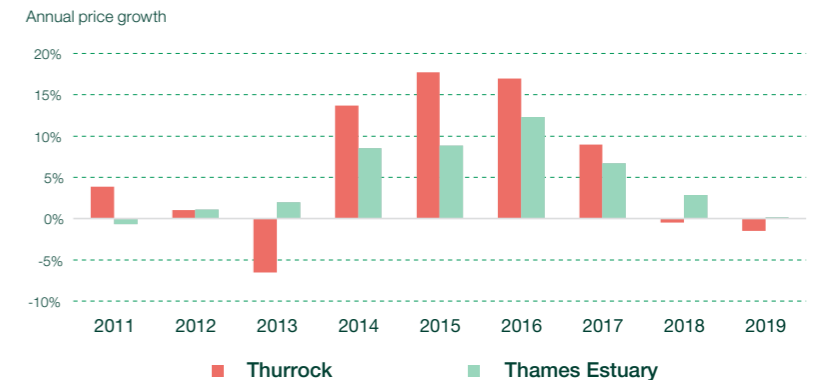
Step change in Thurrock residential pricing, chiefly driven by regeneration.



Source: Dataloft, Land Registry, based on per sq ft values

Price growth relative to the Thames Estuary

Thurrock consistently outperformed the Thames Estuary region from 2014–2017.

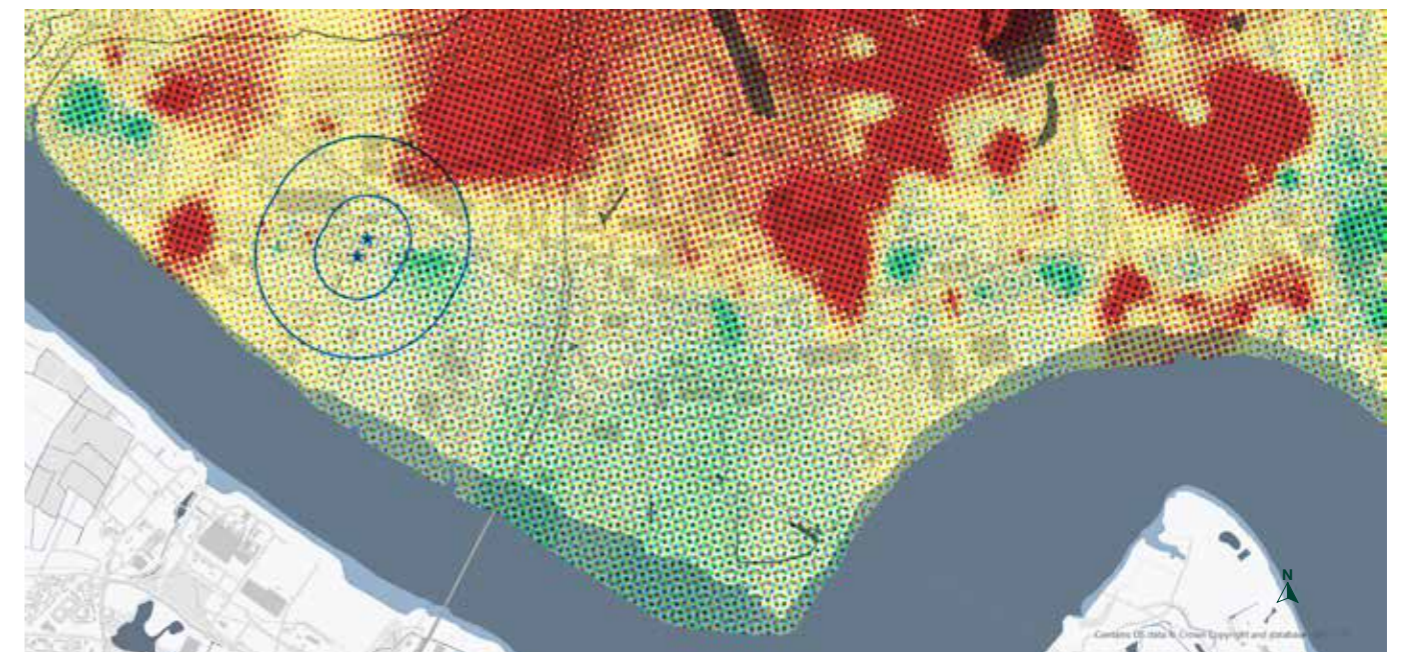


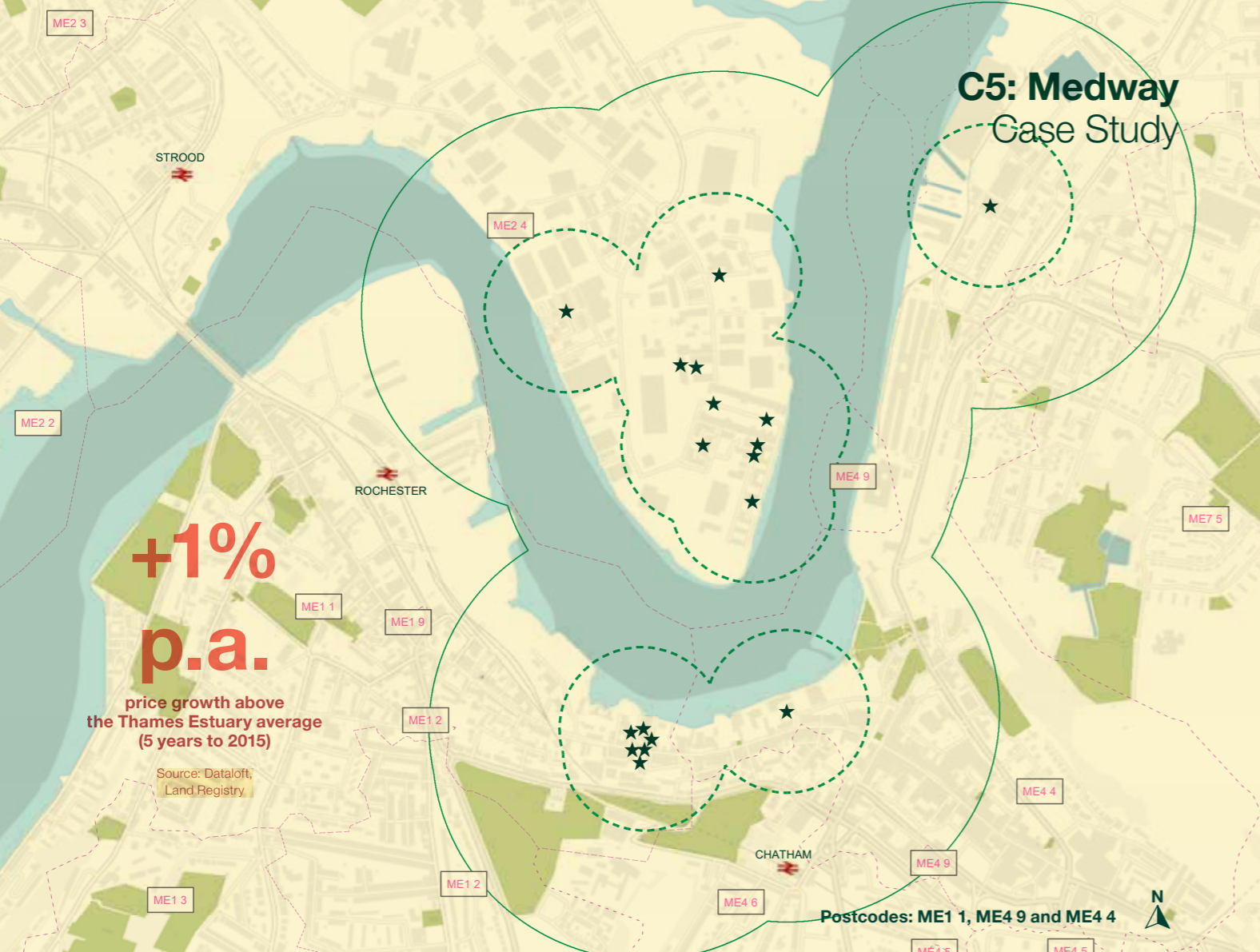
Source: Dataloft, Land Registry, based on per sq ft values

- £400 per sq ft
- £250 per sq ft

Price paid per sq ft for property transactions in 2019

High levels of new-build residential construction have driven higher pricing in many parts of Thurrock, and higher values could become more closely associated with the growing creative cluster over time.





★ Creative workspace, artist workspace and makerspace

200m zone
500m zone

Key operators //

Tack Room

Artists' studio and workshop space.

Dragon Coworking

A coworking space that helps creative businesses collaborate and communicate.

INTRA – 2014

Community arts venue including printing studio, craft facilities, library and rentable workspace. Intra hosts regular events and workshops.

Joiners Shop – 2008

10,710 sq ft creative industry starter space.

Sun Pier House – 2013

Teaching space alongside 11 studio spaces, gallery and cafe in former bank building.

Medway comprises the five towns of Rochester, Chatham, Gillingham, Rainham and Strood.

Chatham has a long history as a major Royal Navy base. The 34ha Historic Dockyard is now a major tourist attraction, as well as a popular film location. A small group of creative workspaces have emerged in Chatham and adjacent Rochester, together with a larger cluster across the Medway at the industrial area Medway City Estate.

The Historic Dockyard Chatham Trust actively encouraged creative industries to grow there from the outset, and the site has developed into a creative cluster with a number of spaces.

Medway's new Cultural Strategy will be delivered through Creative Medway, of which one of their key strategic themes is Space and Places, and this in turn should be amplified by Medway's bid to City of Culture 2025.

The Strategy is aspirational – with a broad vision which reflects the highest hopes for Medway and its people. It puts artists, makers, storytellers and cultural influencers at its centre as the agents of change.

(www.medwayculturalstrategy.co.uk).

Residential performance overview

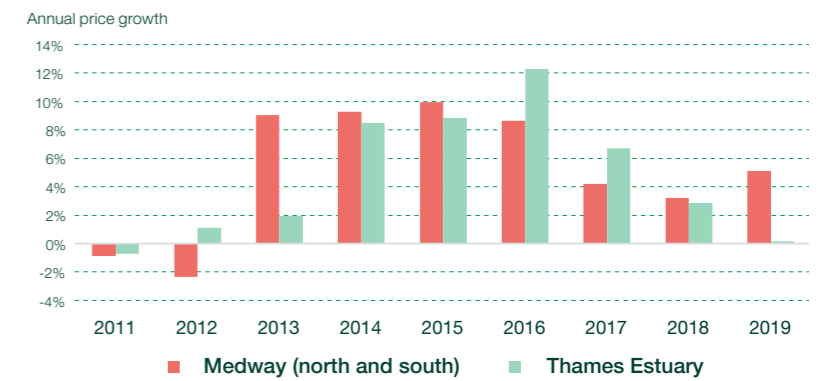
Residential performance in these Medway postcodes has been a little volatile, which is often characteristic of performance as an area undergoes change. The area is seeing significant housebuilding, especially along the riverfront.

Clear price outperformance relative to the rest of the Thames Estuary was evident in the years 2013, 2014, and 2015.

With such grand plans for this area (Medway's new Cultural Strategy to be delivered through Creative Medway) as the creative community continues to grow, there will likely be a stronger flow-on to residential demand.

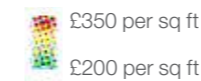
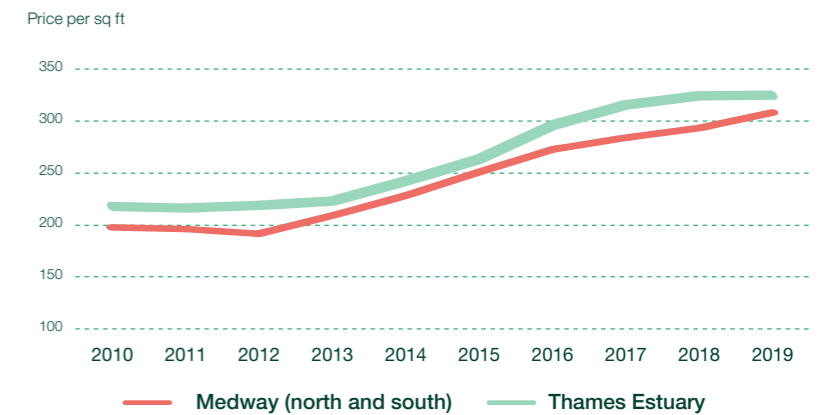
Residential price growth

Medway prices outperformed the Thames Estuary region in 2013, 2014 and 2015.



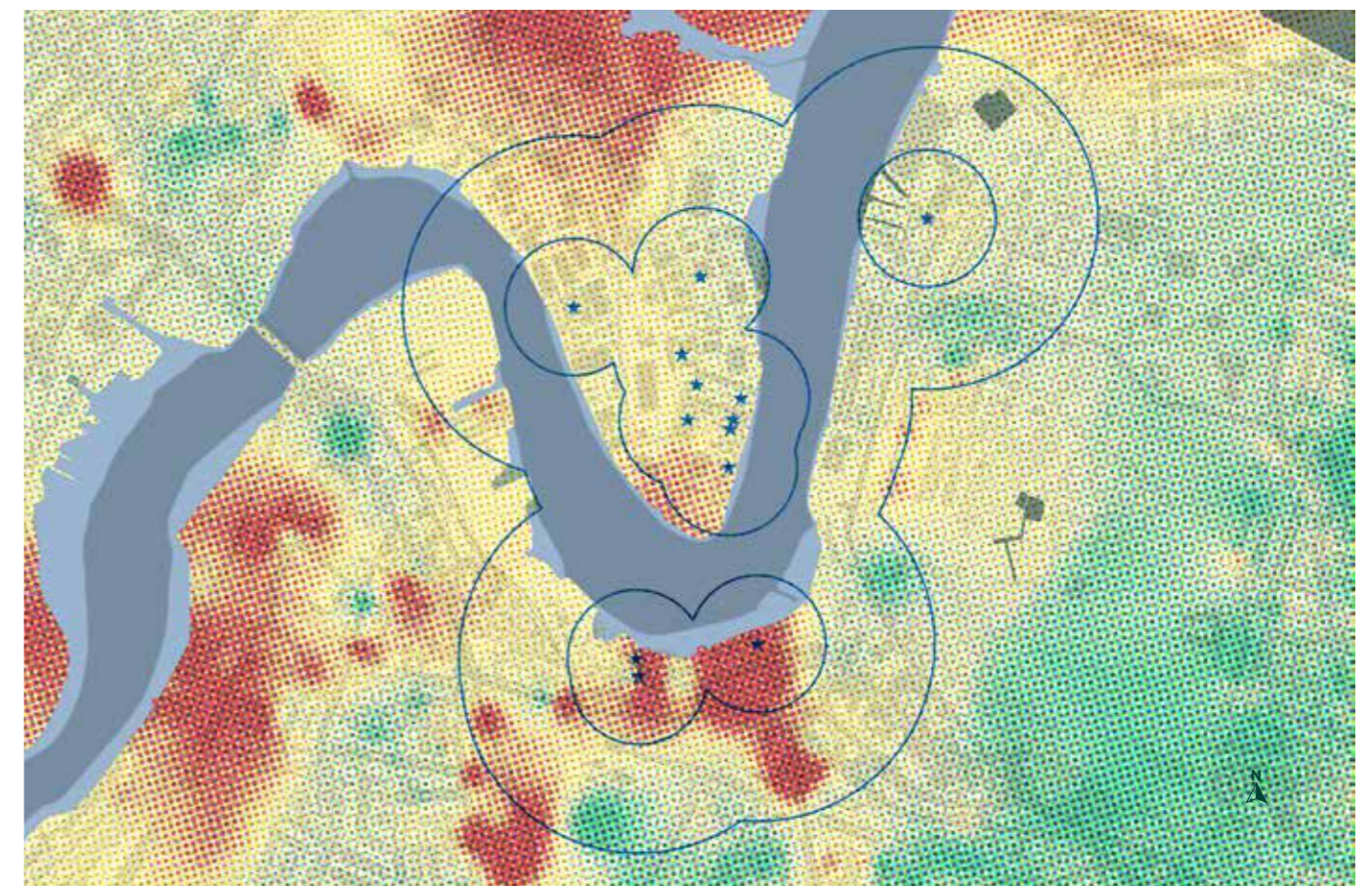
Residential prices

Medway residential prices exhibit no consistent step change in pricing, yet.



Price paid per sq ft for property transactions in 2019

This emerging creative location already shows an association with higher residential values at the heart of Medway's current creative cluster. Higher values could spread as the creative sector grows.



6 Acknowledgements

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7 Appendix

7.1 Literature List

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Regeneris Consulting Ltd (2016) *Tower Hamlets Growth Sectors and SME Workspace Study*

Savills (2021) British Council for Offices – *Briefing Note: Affordable Workspace: A solution, not a Problem*, July

We Made That (2018) *Artists' Workspace Annual Data Note: Cultural Infrastructure Plan* Mayor of London, August

We Made That (2014) *Artists' Workspace Study* Mayor of London

Whilst we used primary data sources where possible, especially for the quantitative analysis, some of the general case study information (such as sizes or inception dates) comes from secondary data sources, which have an intrinsic potential towards inaccuracy

At a glance

This is a model, not a formal valuation. Its purpose is to compare asset mixes in various locations. A 250 flat scheme with either creative space, 18 additional flats or speculative light industrial space is modelled.

The model is conservative, meaning

- It is financed through the entire duration – there are no staged payments or drawdown facilities;
- It is 100% financed – there are no capital injections;
- The VOA land value estimates used do not incorporate affordable housing or CIL payments, so are at the top end of any value range;
- Stamp Duty holidays are not assumed;
- No pre-sales are assumed, since this makes negligible difference to end values;
- Sales income will not start to be received until the bulk of construction is completed.

The model is simplified in these ways:

- Land values are taken from VOA estimates or derived from residual appraisals;
- No holding or planning period is used because VOA estimates assume land is consented, and also because it introduces a wildly uncontrollable variable;
- No assumption is made that an appropriate site is available in any given test area;
- No forecasts are used. Prices and yields are current.

Constraints

- Roughly 5:1 plot ratio (i.e. 5 floor scheme)
- Fully commercial – no grant income or subsidised housing
- The model exists in an urban area where some form of employment activity would be expected – i.e. in London or a other town/ city centre, most likely brownfield site.

6 scenarios:

- Rental with creative workspace
- Rental without studios and 18 additional flats on the ground floor
- Rental without creative workspace by speculative B1c
- Build to sell without studios
- Build to sell with studios and 18 additional flats on the ground floor
- Build to sell without creative workspace by speculative B1c

Three modes of evaluation:

- Cashflow – essentially profit or loss delivering a gross profit
- Discounted cashflow – central investment value
- Monte Carlo simulation – risk analysis applied to the above

From macro to micro

- This is not a formal valuation and should not be treated as such. The aim is to model plausible scenarios.
- It is not in any way an attempt to model existing projects, which were developed at different times and under different local, property market and economic circumstances.

The modelling sets a high bar, holding finance for the entire duration, having no grants or subsidies deployed, and using Valuation Office Agency land value estimates, which assume consented land and thus appearing at the high end of land value estimates.

A notional project of 250 flats, with 2,000 m² net of creative workspace, of roughly five floors. Construction costs are broadly based on estimates from costmodelling.com, with premiums ranging from 18% in inner London to 7% in the South East outside London. The size of the scheme means we apply an economies of scale modifier of 0.82 across the board. A one to two-and-a-half year construction period is assumed.

House prices and rents are drawn from Dataloft Inform’s database from 2019-20, with very low (i.e. non-market) values stripped out.

Creative workspace rents are taken from direct investigation, while light industrial rents and yields are taken from agent reports, in particular Savills Market In Minutes: UK Commercial report and Colliers Industrial rent map. We use the Savills Industrial Multi-let yield of 4% from March 2020. Recent data suggests this has hardened to 3.5%, but it is unclear whether this is a short-term fluctuation, so the more conservative 2020 figure is used. Residential yields are taken from Portico’s online yield map for London and property.xyz’s estimates outside London.

The model assumes all space will have a single operator. In the real world, specialist operators would be used, but we are investigating where value is created.

We use current figures, not forecasts.

This is tested against:

- The same scheme, but with 18 extra two bed flats at ground level (discounted at 10%);
- The same scheme with speculative B1c. We assume a six-month letting void and, given the high failure rates of SMEs that typically occupy such space, additional voids through the initial five-year review period, giving a total void of 12 months, from which a net effective rent is derived. This enables us to hold the conservative 4% yield.

Moving from macro to micro is from aspiration to delivery, to the realm of real-world choices about resource allocation. That we have somewhat simplified the scenarios should not distract from this truth. In the real world, there are many good reasons to include creative workspace in

projects, unrelated to investment performance. We explore whether an investment case can be made notwithstanding this.

Three-pronged analysis

The Base model is analysed on three dimensions: simple cashflow to generate a gross profit or loss; discounted cashflow to return a net present value (NPV); and a residual appraisal to return a notional site cost, assuming a 15% profit margin. This last method parallels the VOA estimates.

For all of these options, various sensitivity tests are done. It is, perhaps, not surprising that by far the biggest sensitivity is construction costs (and by extension, the cost of finance).

All of these methods are then tested using a Monte Carlo simulation (the Risk model). This randomly samples many different values for model inputs – including construction and fit out costs, likely prices achieved, yield variations, finance cost variation and so on. 10,000 simulations were run for each of gross profit, margin, net present value and residual value, and the average outcomes, confidence limits, standard deviations and chance of returning negative values were calculated. A sense check against VOA estimates was also made, which seems to confirm that VOA errs on the high side for valuations.

All 12 of our case study areas were modelled, with three studied in some detail in the main text and the remainder included here.

Hackney Wick

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£40,134,098	0	£31,920,279	0	£21,376,959	0		
Risk model	£41,762,841	0	£31,427,010	0	£21,088,896	0	1.53%	0
Base model, extra flats	£40,192,322	0.15%	£31,662,152	(0.81%)	£21,608,055	1.08%		
Risk model	£42,528,422	1.83%	£32,432,105	3.20%	£21,998,588	4.31%	1.20%	0.22
Base model, light industrial	£38,398,080	(4.33%)	£30,164,430	(5.50%)	£20,109,148	(5.93%)		
Risk model	£39,986,554	(4.25%)	£29,667,472	(5.60%)	£19,808,237	(6.07%)	2.06%	0.35

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£32,345,124	0	£15,414,104	0	£14,537,064	0		
Risk model	£50,200,640	0	£28,394,376	0	£26,452,881	0	0.00%	0
Base model, extra flats	£32,006,118	(1.05%)	£14,169,037	(8.08%)	£14,400,119	(0.94%)		
Risk model	£52,077,804	3.74%	£29,495,699	3.88%	£27,976,331	5.76%	0.00%	0.00
Base model, light industrial	£30,609,106	(5.37%)	£13,658,256	(11.39%)	£13,269,253	(8.72%)		
Risk model	£48,932,634	(2.53%)	£26,877,213	(5.34%)	£25,165,407	(4.87%)	0.00%	0.00

* Refer to main text for discussion

Peckham

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£44,970,324	0	£41,463,408	0	£25,882,695	0		
Risk model	£40,610,967	0	£33,428,298	0	£20,255,081	0	0.76%	0
Base model, extra flats	£46,305,028	2.97%	£43,452,676	4.80%	£26,984,962	4.26%		
Risk model	£41,907,853	3.19%	£34,518,701	3.26%	£21,564,188	6.46%	0.37%	0.51
Base model, light industrial	£43,843,154	(2.51%)	£41,287,847	(0.42%)	£24,998,808	(3.41%)		
Risk model	£39,136,953	(3.63%)	£31,686,316	(5.21%)	£19,361,122	(4.41%)	0.80%	0.05

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£22,736,501	0	£12,968,540	0	£8,442,856	0		
Risk model	£28,882,486	0	£11,604,835	0	£11,368,557	0	2.54%	0
Base model, extra flats	£21,060,157	(7.37%)	£10,471,470	(19.25%)	£7,328,192	(13.20%)		
Risk model	£28,978,012	0.33%	£10,729,990	(7.54%)	£11,540,239	1.51%	2.57%	0.01
Base model, light industrial	£21,000,483	(7.64%)	£11,212,692	(13.54%)	£7,174,581	(15.02%)		
Risk model	£27,473,110	(4.88%)	£10,127,504	(12.73%)	£10,307,076	(9.34%)	3.79%	0.49

* Refer to main text for discussion

7 Appendix

7.2 Detailed Risk Analysis

Chatham

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£12,238,992	0	£15,005,907	0	£3,471,697	0		
Risk model	£12,499,908	0	£14,099,058	0	£2,648,184	0	34.32%	0
Base model, extra flats	£10,147,531	(17.09%)	£12,292,269	(18.08%)	£2,096,355	(39.62%)		
Risk model	£9,784,355	(21.72%)	£11,368,193	(19.37%)	£861,800	(67.46%)	43.22%	0.26
Base model, light industrial	£9,310,323	(23.93%)	£11,958,653	(20.31%)	£1,320,474	(61.96%)		
Risk model	£8,651,918	(30.78%)	£10,543,402	(25.22%)	£(58,259)	(102.20%)	51.10%	0.49

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£13,385,941	0	£8,367,322	0	£2,805,700	0		
Risk model	£20,661,279	0	£10,381,313	0	£7,076,303	0	7.91%	0
Base model, extra flats	£6,469,769	(51.67%)	£2,374,639	(71.62%)	£(1,391,400)	(75.41%)		
Risk model	£13,855,206	(32.94%)	£8,409,783	(18.99%)	£3,429,558	(51.53%)	18.80%	1.38
Base model, light industrial	£5,480,302	(59.06%)	£2,260,949	(72.98%)	£(2,230,425)	(36.80%)		
Risk model	£12,668,224	(38.69%)	£8,005,044	(22.89%)	£2,621,725	(62.95%)	25.46%	2.22

* Refer to main text for discussion

Basildon

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£43,615,873	0	£48,370,401	0	£26,694,244	0		
Risk model	£44,856,936	0	£49,080,376	0	£26,267,480	0	0.01%	0
Base model, extra flats	£43,615,855	(0.01%)	£47,758,071	(1.27%)	£26,566,674	(0.95%)		
Risk model	£45,859,381	2.23%	£50,039,159	1.95%	£26,738,041	1.79%	0.01%	0.00
Base model, light industrial	£42,705,552	(2.09%)	£47,409,967	(1.99%)	£26,026,321	(4.94%)		
Risk model	£44,252,150	(1.35%)	£48,375,583	(1.44%)	£25,562,876	(2.68%)	0.00%	1.00

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£9,824,628	0	£7,033,669	0	£320,257	0		
Risk model	£20,745,052	0	£15,880,098	0	£8,333,224	0	4.15%	0
Base model, extra flats	£10,529,291	7.17%	£8,813,491	(3.13%)	£1,549,595	68.39%		
Risk model	£22,589,323	8.89%	£16,907,001	6.47%	£9,689,301	16.27%	1.92%	0.54
Base model, light industrial	£9,914,307	(9.27%)	£8,073,235	(13.65%)	£252,334	(72.58%)		
Risk model	£19,862,504	(4.25%)	£14,860,718	(6.42%)	£7,696,155	(7.64%)	5.53%	0.33

– Basildon's position as a part of the City of London labour catchment underpins a housing market that leaves all scenarios comfortably viable. The Risk model marginally favours an all residential scheme, which is unsurprising.

– Speculative space underperforms enough to be worth closer investigation, where employment land needs to be protected.

Brent

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£55,446,600	0	£3,055,687	0	£33,794,235	0		
Risk model	£56,104,509	0	£2,194,223	0	£32,246,012	0	0.01%	0
Base model, extra flats	£55,955,167	0.92%	£3,310,475	0.48%	£34,349,901	1.64%		
Risk model	£59,095,075	5.33%	£5,446,710	6.23%	£34,762,372	7.80%	0.00%	1.00
Base model, light industrial	£53,710,582	(3.13%)	£1,299,839	(3.31%)	£32,525,974	(3.75%)		
Risk model	£54,271,412	(3.27%)	£0,374,608	(3.49%)	£31,168,376	(3.34%)	0.01%	0.00

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£20,854,241	0	£9,988,303	0	£7,319,844	0		
Risk model	£25,740,152	0	£11,673,267	0	£9,932,560	0	4.16%	0
Base model, extra flats	£18,752,782	(10.08%)	£7,036,515	(29.55%)	£5,884,813	(35.37%)		
Risk model	£24,925,269	(3.17%)	£9,957,110	(14.70%)	£9,543,646	(3.92%)	5.70%	0.37
Base model, light industrial	£19,118,223	(8.32%)	£8,232,455	(17.58%)	£6,051,583	(31.65%)		
Risk model	£24,106,956	(6.34%)	£10,201,487	(12.61%)	£8,934,899	(10.04%)	6.21%	0.49

– Very strong house prices support all scenarios in terms of viability, leaning towards all residential, but with creative workspace a sound alternative to speculative light industrial.

7 Appendix

7.2 Detailed Risk Analysis

Croydon

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£26,410,118	0	£25,253,490	0	£12,930,034	0		
Risk model	£26,068,433	0	£23,982,882	0	£11,489,097	0	0.01%	0
Base model, extra flats	£24,367,153	(7.74%)	£22,727,493	(10.00%)	£11,594,731	(10.33%)		
Risk model	£25,046,901	(3.92%)	£22,667,073	(5.49%)	£10,823,366	(5.79%)	1.95%	194.00
Base model, light industrial	£24,674,100	(6.57%)	£23,497,642	(6.95%)	£11,660,670	(9.82%)		
Risk model	£24,527,193	(5.91%)	£22,468,162	(6.31%)	£10,247,559	(10.81%)	2.25%	224.00

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£13,385,941	0	£8,367,322	0	£2,805,700	0		
Risk model	£20,546,498	0	£10,438,273	0	£6,993,951	0	8.15%	0
Base model, extra flats	£10,637,794	(20.53%)	£2,956,906	(64.66%)	£652,068	(76.76%)		
Risk model	£19,598,707	(4.61%)	£8,770,281	(15.98%)	£6,398,711	(8.51%)	9.10%	1.38
Base model, light industrial	£12,132,150	(9.37%)	£7,099,210	(15.16%)	£1,888,937	(32.68%)		
Risk model	£19,596,369	(4.62%)	£9,295,254	(10.95%)	£6,153,395	(12.02%)	10.93%	2.22

– Slightly riskier than inner London locations, reflecting the difficulties Croydon has faced overcoming a burden of obsolete commercial stock.

– However, creative workspace presents the best option on both build for sale and build for rental basis, although this is not yet reflected in the macro analysis.

Haringey

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£45,188,691	0	£41,876,117	0	£26,196,652	0		
Risk model	£29,264,874	0	£23,522,668	0	£11,390,092	0	14.94%	0
Base model, extra flats	£44,741,673	(0.99%)	£41,089,460	(1.88%)	£26,044,557	(0.58%)		
Risk model	£30,013,302	2.56%	£23,917,972	1.68%	£11,819,513	3.77%	13.54%	0.09
Base model, light industrial	£43,452,674	(3.84%)	£40,120,268	(4.19%)	£24,928,391	(4.84%)		
Risk model	£27,501,388	(6.03%)	£21,865,588	(7.04%)	£10,114,961	(11.20%)	17.69%	0.18

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£45,033,874	0	£31,654,603	0	£24,996,267	0		
Risk model	£53,028,014	0	£36,068,539	0	£29,925,724	0	0.00%	0
Base model, extra flats	£44,717,200	(0.70%)	£30,317,583	(4.22%)	£24,865,930	(0.52%)		
Risk model	£53,352,119	0.61%	£35,310,592	(2.10%)	£29,939,592	0.05%	0.00%	0.00
Base model, light industrial	£43,297,856	(3.85%)	£29,898,755	(5.55%)	£23,728,006	(5.07%)		
Risk model	£51,716,227	(2.47%)	£34,448,899	(4.49%)	£28,880,524	(3.49%)	0.00%	0.00

– A very similar pattern to other parts of London, although the predisposition towards all-residential is less clear cut.

Margate

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£3,973,995	0	£5,491,577	0	£(2,742,079)	0		
Risk model	£10,080,409	0	£12,261,552	0	£1,291,397	£0	40.19%	0
Base model, extra flats	£4,179,148	5.16%	£5,096,399	(7.38%)	£(2,444,022)	(10.87%)		
Risk model	£11,319,044	12.29%	£12,513,597	2.06%	£1,897,474	46.93%	36.42%	0.09
Base model, light industrial	£3,126,223	(21.33%)	£4,609,477	(16.06%)	£(3,365,545)	22.74%		
Risk model	£9,501,286	(5.75%)	£11,443,622	(6.67%)	£707,333	(45.23%)	44.10%	0.21

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£(10,707,055)	0	£(13,513,901)	0	£(14,110,374)	0		
Risk model	£150,017	0	£(3,535,035)	0	£(8,245,730)	0	88.62%	0
Base model, extra flats	£(10,707,817)	0.01%	£(14,369,158)	6.33%	£(13,998,839)	(0.79%)		
Risk model	£578,879	285.88%	£(3,956,419)	11.92%	£(5,882,899)	(6.13%)	87.12%	0.02
Base model, light industrial	£(11,477,757)	7.20%	£(14,315,810)	5.93%	£(14,677,161)	4.02%		
Risk model	£(692,286)	(61.47%)	£(4,308,066)	21.87%	£(6,649,646)	9.67%	90.78%	0.04

– Unsurprisingly, given its relative remoteness, all scenarios are at best marginally viable, and schemes of the model scale would present an unacceptable risk.

– There is a major shortage of affordable housing in Margate, so a development with a housing association might be a better approach.

7 Appendix

7.2 Detailed Risk Analysis

Docklands

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£37,204,139	0	£34,963,027	0	£20,570,045	0		
Risk model	£38,495,414	0	£35,089,397	0	£19,891,767	0	0.28%	0
Base model, extra flats	£39,906,942	7.26%	£37,306,647	6.70%	£22,712,380	10.41%		
Risk model	£41,247,408	7.15%	£37,556,017	7.03%	£21,948,770	10.34%	0.14%	0.50
Base model, light industrial	£36,239,684	(2.59%)	£33,987,586	(2.79%)	£19,865,306	(3.43%)		
Risk model	£37,501,905	(2.58%)	£34,270,826	(2.33%)	£19,248,812	(3.23%)	0.44%	2.14

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£30,169,491	0	£19,592,414	0	£14,403,052	0		
Risk model	£38,417,084	0	£35,107,505	0	£20,032,798	0	0.23%	0
Base model, extra flats	£32,606,560	8.08%	£21,130,273	7.85%	£16,284,502	13.06%		
Risk model	£43,526,486	13.30%	£28,221,645	(19.61%)	£23,272,636	16.17%	0.00%	1.00
Base model, light industrial	£29,205,036	(3.20%)	£18,616,943	(4.98%)	£13,698,314	(4.89%)		
Risk model	£37,515,309	(2.35%)	£34,316,600	(2.25%)	£19,156,496	(4.37%)	0.32%	0.00

- The values here are created out of whole cloth largely thanks to a market established by a scheme involving creative workspace.
- The use of creative space as a 'leading edge' may have lessons for elsewhere in the Thames Estuary.

Southend

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£7,013,970	0	£8,652,701	0	(£550,695)	0		
Risk model	£7,344,916	0	£9,125,512	0	(£931,448)	0	57.81%	0
Base model, extra flats	£5,343,428	(23.82%)	£6,257,241	(27.68%)	(£1,926,647)	249.86%		
Risk model	£6,655,948	(9.38%)	£7,899,703	(13.43%)	(£1,451,085)	55.79%	57.22%	0.01
Base model, light industrial	£6,243,268	16.84%	£7,850,792	(9.27%)	(£1,116,523)	102.75%		
Risk model	£6,541,883	(1.71%)	£8,141,762	(10.78%)	(£1,611,022)	72.96%	62.11%	0.62

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£10,622,955	0	£6,843,817	0	£1,491,795	0		
Risk model	£19,509,780	0	£14,189,577	0	£7,525,230	0	3.41%	0
Base model, extra flats	£12,142,985	14.31%	£7,457,369	8.97%	£2,721,672	82.44%		
Risk model	£21,217,843	8.75%	£15,082,343	6.29%	£8,617,499	17.17%	1.87%	0.45
Base model, light industrial	£9,852,253	(7.26%)	£6,041,908	(11.72%)	£925,967	(37.93%)		
Risk model	£18,579,577	(4.77%)	£13,349,288	(5.92%)	£6,782,667	(9.87%)	5.42%	0.05

- Unusual in that build-to-rent looks a higher value approach than build to sell.
- This may be a function of a model scheme out of scale with the market
- Some London operators have noted artists moving out to Southend.

Thurrock

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£19,570,454	0	£22,348,960	0	£8,843,589	0		
Risk model	£21,339,157	0	£24,038,035	0	£9,115,324	0	1.48%	0
Base model, extra flats	£18,980,191	(3.02%)	£21,073,636	(5.71%)	£8,272,349	(6.46%)		
Risk model	£20,822,372	(2.42%)	£23,047,876	(4.12%)	£8,486,127	(6.79%)	2.43%	0.64
Base model, light industrial	£18,800,182	(3.94%)	£21,536,285	(3.64%)	£8,277,989	(6.40%)		
Risk model	£20,490,942	(3.97%)	£23,281,906	(3.15%)	£8,490,447	(6.66%)	2.20%	0.02

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£2,851,568	0	£892,401	0	(£4,174,593)	0		
Risk model	£10,737,138	0	£7,059,860	0	£1,125,179	0	39.44%	0
Base model, extra flats	£4,120,473	44.50%	£1,340,597	50.22%	(£3,130,767)	(25.00%)		
Risk model	£12,066,233	12.38%	£7,576,516	7.17%	£2,083,862	83.43%	31.06%	0.21
Base model, light industrial	£2,151,321	(24.56%)	£153,606	(82.79%)	(£4,688,774)	12.32%		
Risk model	£9,887,827	(7.91%)	£6,252,592	(11.56%)	£515,726	(54.16%)	45.14%	0.45

- An area with a well-established creative cluster, driven by policy intervention, suggests that building upon that cluster may be viable.
- Note that the existing cluster is in a non-residential area.

7 Appendix

7.2 Detailed Risk Analysis

Woolwich

Build for sale	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference vs creative
Base model, creative	£65,876,388	0	£65,832,703	0	£41,750,007	0		
Risk model	£60,623,712	0	£58,814,362	0	£35,833,073	0	0.00%	0
Base model, extra flats	£70,243,083	6.63%	£70,084,262	6.46%	£45,136,990	8.11%		
Risk model	£65,224,491	7.59%	£63,090,707	7.27%	£39,165,076	8.99%	0.00%	0.00
Base model, light industrial	£64,670,820	(1.83%)	£64,613,364	(1.85%)	£40,869,126	(2.11%)		
Risk model	£59,719,424	(1.49%)	£57,433,330	(2.35%)	£35,160,702	(2.15%)	0.00%	0.00

Build to rent	Profit	Difference vs creative	NPV	Difference vs creative	Residual value	Difference vs creative	Chance of residual below 0	Difference
Base model, creative	£18,682,055	0	£8,167,582	0	£5,955,226	0		
Risk model	£30,661,034	0	£16,480,641	0	£13,872,184	0	1.03%	0
Base model, extra flats	£16,320,270	(12.64%)	£4,664,269	(42.89%)	£4,007,005	(32.71%)		
Risk model	£32,328,059	5.44%	£17,035,702	3.37%	£15,200,542	9.58%	0.63%	0.39
Base model, light industrial	£17,476,487	(6.45%)	£6,948,243	(14.93%)	£5,074,345	(14.79%)		
Risk model	£29,544,517	(3.64%)	£15,446,565	(6.27%)	£12,856,028	(7.33%)	1.59%	0.02

- Values here are buoyed by the nearby Woolwich Arsenal regeneration, and the Dockyards – where the existing creative cluster is found – is allocated both as strategic industrial and strategic development.
- This suggest that this would be a viable place for planners to require employment land that could both fill housing needs and protect the creative cluster.

