

LOSS OF EMPLOYMENT



TO

London Borough of Camden ('LBC')

SUBJECT

9 Northington Street, London, WC1N 2JF

PREPARED BY

Montagu Evans LLP, on behalf of the Applicant

DATE

February 2024

INTRODUCTION

This Statement has been prepared by Montagu Evans LLP, on behalf of the Applicant ('the Applicant') to provide a summary of the marketing of 9 Northington Street, London, WC1N 2JF ('the Site' or '9NS').

The Statement forms part of the planning application ('the Application') to convert the Site from commercial office to residential use and should be read in conjunction with the Planning Statement, also prepared by Montagu Evans.

This report is accompanied by an extensive **Marketing Report, prepared by Gale Priggen + Co**, which sets out the marketing of the property over the past couple of years. This is enclosed with the Application.

The purpose of this Statement is to provide information in response to the London Borough of Camden's 'loss of employment' policies and guidance, and to summarise the marketing activity on the Site, to date.

BACKGROUND – THE SITE

The Site comprises no. 9 Northington Street. A full description of the Site is set out in the Planning Statement. In summary, the property is four storeys (LG, G + 2) and situated to the rear of 9 John Street, a Grade II listed building. The Site was a former printing works, built in the 1880s, and is considered to be curtilage listed. Works were undertaken in the 1950s and 1970s to create functional links between the two properties. It's lawful use is as Class E, but its original use was a commercial one. The Site is configured as interconnecting offices and rooms over the four levels.

Until May 2020, the premises was occupied by a consultancy company, until it vacated and the property was subsequently marketed. Refurbishment works were undertaken in December 2020 and an architect practice occupied a single floor for a period of time, but otherwise marketing was unsuccessful and that firm left on 1 April 2023.

The Proposed Development seeks to convert the Site from office use, into four residential apartments, dividing it from 9 John Street. Overall, this would result in the loss of 365 sqm (GIA) arising from conversion of the property.

RELEVANT LOCAL PLANNING POLICY

Local Plan Policy E2 (Employment premises and sites) states the Council will protect sites that are suitable for continued business use, in particular premises for small businesses, businesses and services and those that support the functioning of the CAZ and local economy.

The Policy adds that LBC will resist development of business premises for non-business use unless it is demonstrated to the Council's satisfaction that:

- a. *"the site or building is no longer suitable for its existing business use; and*
- b. *that the possibility of retaining, reusing or redeveloping the site or building for similar or alternative type and size of business use has been fully explored over an appropriate period of time."*

Supporting paragraph 5.37 sets out that LBC will consider whether there is potential for that use to continue and take account various factors including:

- *the suitability of the location for any business use;*
- *whether the premises are in a reasonable condition to allow the use to continue;*
- *the range of unit sizes it provides, particularly suitability for small businesses; and*
- *whether the business use is well related to nearby land uses.*

Further guidance is contained within the **Employment Sites and Business Premises Camden Planning Guidance** (January 2021) ("the CPG"). Paragraph 8 recognises that not all existing employment premises will be able to offer the same standards of accommodation as new build premises and that premises that are in need of modernisation may attract smaller businesses as the condition of the premises may produce lower rents compared to new built schemes.

Paragraph 9 sets out that when a loss of employment floorspace is proposed, evidence would be sought that applicants have fully explored alternative ways to retain business use of the space (e.g. re-provision or refurbishment) and outline the reasons why this would be deemed inappropriate.

Paragraph 54 sets out that in exceptional circumstances the Council may agree that change of use is acceptable and where this can be expected to result in a reduction of potential job opportunities for Camden residents, the Council will seek a contribution towards measures which create or promote opportunities for employment or training of local people. This would be sought where the net loss of employment space is 500 sqm (GIA) or more.

POLICY ASSESSMENT

The first part of Policy E2 is to consider the suitability of the premises for office use, which is also considered against the relevant parts of the Employment CPG. Secondly, it is necessary to consider whether the premises could be used for employment purposes other than office accommodation.

At the time of writing, the majority of the Site has been **vacant for a period of nearly four years** (since May 2020). During this time, a tenant occupied a single floor within the premises, but that firm vacated on 1 April 2023 (11 months ago). The Site has been marketed **since December 2020 (a period of 38 months)**, when refurbishment works were undertaken and continues to be marketed by Gale Priggen.

Suitability for Continued Business Use

The departure of the previous tenants and lack of subsequent interest in the space, have vividly highlighted the lack of suitability of the current space for any potential occupier in the current market. Despite the refurbishment of the building to improve the quality and finish of the space, the building in its current format struggles to meet the requirements of modern operators.

The building was previously occupied by a consultancy (CWA International) who made the decision not to renew their lease following its expiry in March 2018, noting that the space was no longer suitable for their working practices. Instead, CWA were looking to move their business to more modern accommodation on fewer floors with modern facilities. These are drawbacks of the Site as there is a desire for companies to be on larger floorplates, less floors, with air conditioning and high quality end-of-trip facilities. None of which 9 Northington Street can offer.

CWA remained in the building beyond their lease, whilst they searched for alternative accommodation, vacating in May 2020 to the 5th and 6th floors of 42 Trinity Square in the City of London (EC3). This was newly refurbished with the benefit of air conditioning, raised floors, showers and bike racks.

These decisions were made before the COVID-19 pandemic, where working patterns subsequently shifted to increased working from home, hybrid working and a desire for space. The need for a more modern office environment where all the occupiers could work more efficiently on one or a smaller number of floors has been accelerated by the COVID situation.

Upon departure of the tenant, the head lessee completed a comprehensive schedule of dilapidations works to the building and refurbishment works were completed in December 2020. However, as noted below, this attracted extremely limited interest and no viable tenant was found for the building. Despite the refurbishment works, the building has inherent issues that prevents its continued use for business purposes.

Gale Priggen reports that older properties such as these in the Bloomsbury area, are struggling to attract office tenants. With the space split over four levels and further divided into a number of smaller rooms on most floors, it is not what modern commercial tenants are looking for. The curtilage listed status also adds to the inflexibility of mitigating existing building issues and providing flexible working spaces.

The office accommodation would fall under Grade C classification, which is the lowest specification available. With external steps into the Building and the cellular internal configuration, the property is not in accordance with current accessibility requirements or guidance set out within the Equality Act 2010. Further, WC provision is a drawback which is not capable of satisfactory resolution.

In addition, there is no comfort cooling or air conditioning and there is a mix of old and new lighting and fittings with no provision for data cabling. All of these factors are exacerbated by age, physical layout and its curtilage listed status. Times have changed, as have modern working conditions and tenant requirements, which dramatically reduce the chances of continued business use into the future.

Possibility of Alternative Use

The property has already been refurbished, with works completed in December 2020. Any further works would not create an open plan office space or enhance the building such that it would provide better suited office accommodation. It is unlikely that the property could be opened up to create open plan floorplates.

It is also not possible to improve the accessibility of the offices beyond that which exists, as the entrance on 9 Northington (and the alternative access via 9 John Street) is not step-free. To create step free access, the finished floor levels would need to be shifted, which would be a significant structural undertaking and impact upon the fenestration.

The configuration of WC facilities and other services are also lacking, with a mix of inconsistent lighting – none of which meets the standards of the modern office occupier.

The location of the WCs and kitchens are dictated by the existing layout and alternative provision would further impact upon the usable office floors. Although the building currently benefits from lift access through the mid-20th century works, level access from the street is not possible and alterations to achieve that are likely not acceptable from a heritage point of view, not to mention the structural considerations above.

Significant capital expenditure has already been spent to upgrade the building as much as possible, to attract new tenants. Even if further works were undertaken, the building would continue to suffer from its inherent limitations in its layout and would not fundamentally improve the space nor produce any enhanced rental prospects.

In addition, the property is unable to deliver on the demand for good quality 'end of journey' facilities such as cycle storage, dedicated showers and changing facilities. Outside space, breakout areas, lower density occupation, natural light and ventilation are also higher up on tenants' requirements, all of which the existing building struggles to provide.

Other non-office business uses, such as industrial or warehousing would clearly not be appropriate in this property. Whilst storage or research may be appropriate, these either have similar requirements to office tenants or have attracted no interest from such uses.

Marketing Evidence

Policy E2 and the CPG also requires that buildings are marketed for an appropriate period of time to consider the possibility of retaining the site for its existing use. With reference to the requirements of paragraph 44 of the CPG, we set out the marketing exercise undertaken to date.

9NS has been marketed by Gale Priggen (<https://www.galepriggen.co.uk/>), a local agent with a track record of letting employment space within Camden and the WC1 area. Gale Priggen are based in Red Lion Square (WC1R) and have been operating in the heart of Midtown since 1991. The majority of Gale Priggen's listings are in the Bloomsbury area around Northington Street and John Street.

The Building has also been marketed jointly by Castleman and Dean (<https://www.castlemandean.com/>), an independent commercial agent based on Palace Street (SW1E), with over 45 years of experience in London and the Bloomsbury submarket.

As noted above, the site was previously occupied until 2020 by a consultancy firm who were looking to vacate since 2018. Both agents were instructed in February 2020 to report on the forthcoming vacancy of the building and providing recommendations to the head lessee on the marketing of the Building, alongside the adjacent (and linked) 9 John Street.

This included refurbishment works to the property and both agents were instructed to commence marketing in December 2020 to find a tenant willing to enter into a lease for the whole of 9NS or for single floors.

The original marketing particulars (2020) are contained at **Appendix e**, which contains a description of the property, area schedule, specification, EPC and other relevant information.

This process was relatively unsuccessful, with one tenant found (an architects' firm – Gollifer Langston) who took the second floor only from July 2021 on a five year lease. Marketing of the property and other floors continued. However, the company executed a break clause in April 2023 and moved to more suited premises on Poland Street (W1F).

In April 2023, the tenant of 9 John Street also exercised their break clause and, a decision was made to market the whole of 9NS and 9JS as a single letting to attract more interest and increase options – as both properties were now available together.

Updated marketing particulars (2023) are contained at **Appendix f** in the same format as previous. The existing lawful use of the premises (i.e. office use) were included within the marketing materials as required by the CPG.

Visible letting boards were erected on the Site in February 2023 (see photos in **Gale Priggen's report at Appendix g**). However, LBC's enforcement team contacted Gale Priggen in May 2023 to remove the boards as these did not have consent. Due to the listed status of the building and the Site being located within an area of advertisement control, it is unlikely that LBC would grant consent for letting boards. The marketing therefore relies upon other means.

Full details of the marketing exercise is summarised in the Gale Priggen report. In summary:

- A dedicated microsite was produced to promote the properties, which contained links to marketing particulars, floor plans etc.
- The property was published on the Gale Priggen website;
- The To Let boards were erected on site, as noted above (albeit for a limited period);
- The property was also published and promoted on main commercial agency portals, including CoStar and the Realla platforms, before expanding to LoopNet in summer 2022.

- The property was listed on Agents' Insight, a real time commercial property portal, accessible by over 1000 Central London property agents.

This exercise received limited response:

- There were 8 office agent-led or direct tenant enquiries that were not considered completely inappropriate, which the agents pursued:
- These resulted in inspections from a range of firms covering accountancy, stone dealers, law firms, events company, shoe retailer (for storage), serviced office operator and an e-commerce company.
- The enquires were all dismissed, with the firms either confirming that the property was not of interest (lack of access, servicing, security, air conditioning, single floorplate, lack of character and general appearance) or withdrawing their requirements from the market.
- One enquiry (the service office operator) made an offer to take 9NS along with 9JS but pulled out of the transaction citing high vacancy rates in serviced office buildings in the area.

None of the other above firms proceeded to make any offer and no discussions took place in relation to potential rents. However, the Gale Priggen report in their statement that the recommended quoting rent is considered to be reflective of the market situation.

In December 2023, the property was sold in an unconditional off-market approach. Gale Priggen were instructed by the new owners to continue with the marketing of the building which continues at the time of writing.

There is no evidence to provide that the tenants intend to move out, as this has already occurred. The site is now vacant, with both previous tenants (the consultancy firm and architects practice) having found alternative accommodation in the vicinity.

Market Condition

A summary of the current and future market condition is set out within the Gale Priggen report, including for the Bloomsbury sub-market.

The Central London office market was deeply affected by the effects of the pandemic and the series of lockdowns. Post-COVID, there are lower occupation rates and working densities by comparison to pre-2020 levels. There is a far greater demand for flexibility and wellness within the working environment, which is high on tenants 'wishlists', as well as many of the basic requirements set out above.

There is a clear focus from tenants on high grade, newly refurbished accommodation that deliver on all the modern features of an office building, rather than older, lower specified stock.

With reference to CoStar's *Bloomsbury Submarket Report*, it is also noted that:

- Total stock of offices in the Bloomsbury submarket extends to approximately 10,000,000 sqft, the majority of which comprises small, period buildings. There are only 16 office buildings larger than 100,000 sqft in the area.
- Bloomsbury vacancy rate has climbed from less than 2% in 2019 to 8.5% in 2024, a near record high
- Weak leasing activity has combined in a rise in sublease availability to push vacancies upwards;
- 57 office leasing transactions of a similar size in the past three years but only 8 represented self-contained properties;
- The market continues to struggle to adapt to the wider impact of COVID and the economic environment is generally challenging. Office vacancy rates continue to rise and take-up falls, as working patterns change and density decreases.

- 146 properties are currently available within the wider Bloomsbury/Midtown market for traditional leasing or availability within buildings offered as coworking/serviced/managed options.

All of these points lead to an unlikelihood of finding a future tenant as similar properties have come onto the market and also remained unlet for significant periods of time, before being disposed of for alternative uses. With so much availability in the wider area, there are numerous buildings that are 'ahead' of this building in terms of likelihood of being let – with more modern and favourable conditions.

S106 FINANCIAL CONTRIBUTION

As noted in Paragraph 54 of the CPG, the Council may seek a contribution from developments, which result in the loss of more than 500 sqm GIA of employment floorspace, towards measures which create or promote opportunities for employment or training of local people.

The conversion of 9 Northington Street results in the loss of 365 sqm (GIA) and therefore a planning obligation would not be sought in this case.

CLOSING

The existing office accommodation is not purpose built for office use and has been adapted to provide poor-quality office accommodation that does not meet modern requirements.

The application premises are clearly of a significant age and configuration that is suited to a former style of office accommodation and its curtilage listed status makes it inflexible to adapt to change and the modern working requirements.

Other buildings in the wider market, which also sit vacant, are arguably more likely to find a tenant than this property. The building has been marketed for a significant time (since December 2020), with success limited to a single floor for a short period of time, and who exercised their break at the earliest opportunity.

As stated above, the premises lack a number of core features required by office occupiers and there would be significant difficulties in meeting those requirements. This has been experienced in the marketing exercises undertaken to date, for which limited interest has been received. The property has recently been marketed alongside 9 John Street as a combined offer, which has not attracted any further interest or viable lettings. Overall, the building is unsuited to continued use and the prospect of finding an occupier(s) appears to be limited, based on the extensive marketing undertaken to date.

The wider benefits of the proposals are set out in the Planning Statements that form part of the applications, which include the associated heritage benefits of converting this building into a viable use as residential, and that we consider on balance, outweighs the loss of employment uses.