

LOSS OF EMPLOYMENT



TO

London Borough of Camden ('LBC')

SUBJECT

32 Bedford Row, London, WC1R 4HE

PREPARED BY

Montagu Evans LLP, on behalf of the Applicant

DATE

March 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 32 Bedford Row, WC1R 4hE ('the Site' or '32BR').

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

This report also contains an extensive **Marketing Planning Report, prepared by Farebrother**, which sets out the marketing of the property over the past couple of years. This is enclosed as an Appendix.

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. 32 Bedford Row, which is situated on the corner of Bedford Row and Princeton Street. A full description of the Site is set out in the Planning Statement. In summary, the property is five storeys in total (LG, G + 3) and is a Grade II listed (as a group with 29-32 Bedford Row) former terraced townhouse built in the mid 18th century.

The property was converted to commercial use in the 19th Century and its lawful use is Class E. The site is configured as a series of small suites per floor that largely follows the original residential layout.

The property has been marketed for an office occupier for over two years, since February 2022. Since that time tenants have been in occupation of parts of the building on short term licenses. For the most part, the tenants have been on flexible arrangements with short notice periods and low rental levels and have offered a meanwhile use, whilst the building has been marketed.

There are 10 suites in total, across the ground, first, second and third floors. At the time of writing, two of these are currently vacant.

The Proposed Development seeks to convert the Site from office use, into a single family dwellinghouse. Overall, this would result in the loss of 314 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 Site is occupied by a number of tenants on short term licenses. Eight out of the ten suites are occupied, with two vacant suites. The arrangement is neither viable, nor sustainable and the Applicant has been marketing the building, since February 2022, in search of a tenant who would take the whole building on a longer term lease. The property continues to be marketed today, by Farebrother.

Suitability for Continued Business Use

There are 10 suites in total, across the ground, first, second and third floors, with the lower ground floor providing meeting room, breakout and kitchen areas for all tenants to use. As noted above, the current arrangement of multiple small businesses on short term licenses does not provide the Applicant with security and has therefore been seeking to secure a tenant who would take the building on a longer term lease and market rent.

The lack of interest in the space, during the marketing exercise, has vividly highlighted the lack of suitability of the current space for a potential occupier in the current market.

The property is currently occupied by six businesses, all of whom are lease expired and on monthly rolling lease agreements:

1. Hereford Operations (Suites 1, 3 and 4) – occupied since April 2021 - law firm;
2. Akyel Immigration Law Practice (Suite 5) – since August 2018 – single practice law firm;

3. Corker Clifford (Suite 6) – since August 2019 – law firm;
4. Birchtree Law (Suite 7) – since December 2016 – law firm;
5. Twenty Six Entertainment (Suite 9) – since February 2022 – Gateshead based production company;
6. Llabrestabony Architects (Suite 10) – since March 2023 – architectural practice.

Suites 2 and 8 have been vacant since May 2022 and February 2023, respectively.

Despite the current occupancy of the building, and a recent redecoration, its current format struggles to meet the requirements of modern operators. There is a high degree of turnover of tenants, with 16 different firms occupying part of the building since 2015, at an average stay of 28 months. Most companies benefit from the attractive terms offered and utilise the property either as meanwhile accommodation before finding a permanent office, as a registered address or as a foothold in London (with the business operated mostly from other parts of the UK/online).

Following the COVID-19 pandemic, 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.

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

The existing building has a number of significant constraints to the marketability of the building as offices. Most of the weaknesses are inherent with the design and/or age of the building. Georgian townhouses were not built as offices and the workplace of a century or so ago was very different to the modern workplace.

The office accommodation would fall under 'Second Hand Grade B' classification, which is the lowest specification available, being 'poor quality office space.'

The building suffers from a significant amount of net internal space that is made up of circulation and other compromised or non-useable areas. The effect is that the tenant is paying for large areas that are useless. The useable space (i.e. for desks) is more expensive on a cost per square foot basis.

The building lacks any means to access and move around the space for a disabled person. The external steps, absence of a lift and the cellular internal configuration means that the property is not in accordance with current accessibility requirements or guidance set out within the Equality Act 2010.

Further, WC provision is completely inadequate, which is not capable of satisfactory resolution. This fails to meet both the requirements of the Equality Act and tenant demands.

In addition, the building has a basic, domestic type central heating system and randomly distributed power and phone/iT sockets. There is no comfort cooling or air conditioning.

All of these factors are exacerbated by age, physical layout and its listed status. Times have changed, as have modern working conditions and tenant requirements, which dramatically reduce the chances of sustained business use into the future.

Possibility of Alternative Use

Occupiers are currently seeking a base level of specification although much of the office supply, including this building, does not provide such specification, which includes:

- Fresh air supply
- Heating & cooling
- Robust, high-quality power
- Modern lighting
- Comms and data wiring capacity
- Sufficient WC provision
- Kitchen facilities
- Lift
- Statutory compliance, specifically DDA
- Sustainability features

The level of investment necessary from a landlord to provide a modern specification has increased. This includes an increase in amenity space such as outside space, cycle storage and best-in-class shower and changing facilities.

In its current layout and condition, the subject property lacks the modern amenities and infrastructure required by contemporary office occupiers.

The landlord, to provide internal amenity such as showers etc would need to lose net lettable space (i.e. therefore rental income) and obviously also fund the cost of converting that space, a double negative. Moreover, the restricted layout flexibility and preservation regulations is considered an issue in adapting the floor plates to modern use.

Any 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 from Bedford Row is not step-free. Creating step free access is likely to involve significant interventions that would result in harm to the listed building, as would the installation of a lift, which would be technically possible, although unlikely to be acceptable from a planning/heritage perspective.

The location of the WCs and kitchens are dictated by the existing layout and alternative provision would further impact upon the usable office floors.

Significant capital expenditure would be required to attract long term tenants. The building would need to be fully redecorated, recarpeted, with lighting replaced throughout and kitchens/WCs stripped out and refitted to modern standards. However, this work would not fundamentally improve the space or produce any enhanced rental prospects.

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. Alongside installation of new services and air conditioning, this would represent a significant expenditure that would have a massively negative effect on financial viability of the building.

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 than the roof terrace.

Farebrother notes that traditionally, this type of building would have been occupied by solicitors, patent agents, accountants and barristers. With the exception of barristers, much of this consultant and professional sector has moved to more open plan office environments, seeing cost savings in more efficient use of space and greater opportunities for collaboration.

Whilst there is active demand in Midtown from the DAMIT sector (design, advertising, media, internet and technology), the vast majority will not consider buildings of this size, layout and limited specification. This does not make positive reading for the Site in seeking long term income generating office occupier.

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.

32BR has been marketed by Farebrother (<https://farebrother.com/>), a general practice firm of chartered surveyors operating from an office on Bedford Row and who have a track record of letting employment space within Camden and the WC1 area. Farebrother were established in 1799 and specialise in commercial property (especially occupier consultancy and property research), predominantly offices within the Midtown area.

Farebrother's marketing of the property commenced in February 2022 on the basis of a £55 per sq ft quoting rent, which as considered to be reflective of the market rents at the time. The property was advertised to let as offices.

A photograph of the visible Letting Board is provided within the Farebrother report. The report also confirms that the following exercises were undertaken in the marketing campaign:

- *Bespoke set of marketing details highlighting the property's best features alongside professional photography*
- *An external letting board outside of the property, erected in February 2022*
- *Online marketing – the property was listed to let on the Farebrother website and third-party websites such as Rightmove, CoStar LoopNet and Agent's Society*
- *Mailout – the property's particulars were emailed to a wide list of over 1,500 agents and direct applicants via Mailchimp*

Details of all of the above is contained as appendices within the report.

The process was unsuccessful in finding a long term tenant for the building. Over the course of the marketing period, which extends to over two years, there were only six enquires for the building, three of which resulted in inspections. These covered a range of sectors including law, charity, finance, and other private/professional firms.

In summary, the feedback was that the property fell short of the standard that they required for their occupation with the specification, lack of amenity and small floorplates quoted as the reasons for the property being discounted.

None of the other above firms proceeded to make any offer and no discussions took place in relation to potential rents.

All of the existing tenants are on short term licenses with one month termination clauses for both landlord and tenant. The tenants are aware of the situation and will need to find alternative accommodation. Many of the current tenants are law

practices and are likely to find alternative accommodation in the Bloomsbury area (or wider Central London), where it has been demonstrated that there is significant available supply.

Market Condition

A summary of the current and future market condition is set out within the Farebrother report, including for the Midtown/WC1 sub-market. Farebrother undertakes and publishes quarterly research on the Midtown office market and most recently published in Q4 2023.

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 that is required in all cases.

There has been a growing "flight to quality" with a focus on high quality specification, which is the only space that is currently finding success in the market. Office builds such as 32 Bedford Row are getting left behind as tenants are considering other buildings like serviced offices that tick all the requirements, including higher quality office environment, enhanced amenities such as external spaces, cycle facilities, meeting rooms and collaboration spaces. Lower quality buildings cannot compete even with lower rental levels.

Farebrother's research notes the following on availability and future pipeline within Midtown:

- Total availability is at 6.2% with 2.82 million sq ft.
- Tenant-released space is a high proportion of total availability at 39%, as occupiers continue to reevaluate their office needs, even 3 years after the pandemic, and as lease breaks occur.
- Half of the total availability is for fitted space (Cat A+) with landlords looking to market their space in the most attractive way.
- Second-hand Grade B market (including 32BR) has seen very little change, making up 10% of availability. With over 1m sqft of refurbished space availability it is the better quality space that secures take-up. A significant portion of the poor quality second hand space is effectively unlettable.
- There is 3.5 million sq ft of commercial space under construction, of which 1.4 million sqft is pre-let.
- 9 buildings are under construction in WC1 with 5 due to complete in 2024.

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. Small-scale, self-contained offices and especially period properties are less likely to be let as tenant demand for such spaces has reduced massively.

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 32BR results in the loss of 380 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 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 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 viable tenant than this property. The building has been marketed for a significant time (since February 2022), with limited overall interest and ultimately no-one who wishes to take on this building on a long term market rent.

Finding a single tenant is critical to the owner as it would provide a longer term lease that offers stability and security as a landlord. It ensures that the space is well-maintained and managed and offers fixed rents across the whole building with less volatility. The existing occupation on short-term licenses is a meanwhile use, whilst this search has been undertaken.

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. Overall, the building is unsuited to continued use for modern office working, and with demand for such properties continuing to decline, the prospect of finding a viable occupier 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.