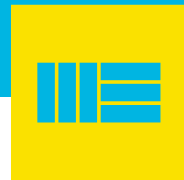


# LOSS OF EMPLOYMENT STATEMENT



## TO

London Borough of Camden

## SUBJECT

9 John Street, London, WC1N 2ES

## PREPARED BY

Montagu Evans LLP, on behalf of the Applicant

## DATE

December 2024

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## INTRODUCTION

This Loss of Employment Statement has been prepared by Montagu Evans LLP, on behalf of the Applicant ('the Applicant') to provide a summary of the marketing of 9 John Street, London, WC1N 2ES ('the Site' or '9JS').

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** (dated December 2024), 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 ('LBC' / 'Council') '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 John Street located in the London Borough of Camden. A full description of the Site is set out in the Planning Statement.

9JS is a Georgian terraced house dating from 1754-59 arranged over five storeys (LG, G +3). The Site is a Grade II listed building located in the Bloomsbury Conservation Area. The Site was connected to 9 Northington Street ('9NS') by a rear internal link, pursuant to works undertaken in the 1950s and 1970s to create functional links between the two properties. Listed Building Consent was granted in 2024 to subdivide the two properties.

The Site's lawful use is Class E, but its original use was a single residential dwellinghouse.

Until April 2023, the premises at ground to third floors was occupied for office accommodation, when the tenant vacated. These floors have been marketed since January 2023 following the tenants notice to break the lease.

The lower ground floor has been vacant since March 2020 and marketed since that time.

The Proposed Development seeks to convert the Site from office use, into a single residential dwelling, dividing it from 9 Northington Street. Overall, this would result in the loss of 395 sqm (GIA) arising from conversion of the property.

## RELEVANT LOCAL PLANNING POLICY

**Camden Local Plan Policy E2** (Employment Premises and Sites) states that 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 assessed 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, most of the Site has been **vacant for a period of 20 months** (since MSK left in April 2023), with the lower ground floor **vacant for approaching 5 years** (since St Barbara LLP left in March 2020).

The Site has been marketed on the lower ground floor **since December 2020**, when refurbishment works were undertaken and continues to be marketed by Gale Priggen and on the ground and uppers **since January 2023**, when the previous tenant served their notice, two years ago.

### *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.

9JS was previously occupied by St Barbara LLP who held a lease on the lower ground floor and made the decision not to renew their lease following its expiry in March 2020.

This decision was 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 at the lower ground floor, the head lessee completed a comprehensive schedule of dilapidations works to the building and refurbishment works to the LG floor were completed in December 2020. However, as noted below, this attracted extremely limited interest and no viable tenant was found for this floor.

Miller Sturt Kenyon (MSK) (a patent and trademark firm) occupied the ground and first floors during this time, via a lease signed in April 2020 for 6 years. However, in October 2022, it decided to operate its break option and departed the building on 1 April 2023. MSK were acquired by Lewis Silkin LLP who are based in 255 Blackfriars, a modern office block.

Gale Priggen reports that older properties such as these in the Bloomsbury area, are 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 of 9JS 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 buildings and the cellular internal configuration, the properties are 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 heritage designations. Times have changed, as have modern working conditions and tenant requirements, which dramatically reduce the chances of continued business use into the future.

This is the case across Bloomsbury, with office tenants seeking to move their businesses to more modern accommodation on fewer floors with modern facilities. 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 John Street can offer.

#### Possibility of Alternative Use

The property has already been refurbished, with works to the lower ground completed in December 2020 and upper floors during the tenants occupation. 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 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 listed building.

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-20<sup>th</sup> 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.

Capital expenditure has already been spent to upgrade the building, 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.

9JS 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.castlemadean.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 lower ground was previously occupied by St Barbara LLP until March 2020. 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 Northington 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 single floors, including the lower ground of no. 9 John Street.

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.

In October 2022, MSK served its notice to exercise the break clause and marketing commenced in January 2023 on both 9 John Street and 9 Northington Street. 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 for the first time.

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 December 2021 (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 undertaken 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.
- 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 78 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.
- There has been no interest for over 12 months.

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 vacant, with previous tenants having found alternative accommodation.

#### 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;
- 71 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.
- 197 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 John Street results in the loss of 395 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, 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 Northington 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 Statement that forms part of the application, 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.