

MARKETING REPORT

on

Denmark Street and 71 Endell Street London WC2

For

Consolidated

prepared by

monmouthdean
.com

Dated

December 2012

CONTENTS

- 1.0 Brief
- 2.0 The Existing Building
- 3.0 Commercial Viability
 - 3.1 Modern occupier's requirements
 - 3.2 Air cooling
 - 3.3 Cabling
 - 3.4 Floor to ceiling heights
 - 3.5 Central core
 - 3.6 Lifts
- 4.0 Market Commentary
 - 4.1 Take Up
 - 4.2 Demand
- 5.0 Conclusion

1.0 Brief

The purpose of the report is to assess the suitability of the existing office floorspace provided within 71 Endell Street, 4 Flitcroft Street, 4, 6, 7, 9, 10 Denmark Street and 20-28 Denmark Street for continued use in its current form in the context of forthcoming proposals for the refurbishment of the existing buildings to provide a mix of office, retail and residential floor space as part of a wider scheme for the redevelopment of St Giles Circus.

Monmouth Dean have been marketing various offices suits in the street over the last 3 years.

2.0 The existing buildings

The properties consist of 71 Endell Street, 4 Flitcroft Street, 4, 6, 7, 9, 10 Denmark Street and 20-28 Denmark Street. The buildings were constructed in the 17th, 18th and 19th Centuries, 6, 7, 9, 10, 20, 26 and 27 Denmark Street are Grade II listed or considered to be positive contributors.

Each building provides small floor plates accessed via a shared staircase.

3.0 Commercial viability

It has become evident that the office accommodation provided at Denmark Street is not sufficient quality to attract office occupier(s) to locate their business to the buildings

Due to the age of the properties the building has a number of considerable limitations, which are detailed below:-

3.1 Modern Occupier's Requirements

Over the last decade we have seen an unprecedented evolution of the use of IT and its equipment. This has created a need for office space to handle state of the art data processing equipment. This increase in use of IT has created its own problems. Cabling requirements need to be satisfied and ideally office temperature levels need to be kept consistent. As a consequence, modern office occupiers are consuming vastly increased levels of power. There is a considerable cost to providing additional power to the building and achieving this is not even guaranteed.

3.2 Air Cooling

Nearly every modern office tenant needs some form of air conditioning or air cooling. It enables organisations to provide a balanced and pleasant working environment for their workforce. In fact this is becoming one of the most important features for employees to retain staff. There is currently no air con in the office elements. Therefore, a new air conditioning system is fundamental to satisfy occupiers of today.

3.3 Cabling

It is imperative to provide a raised floor for occupiers to cable their offices. As mentioned above as IT use has increased, so does the amount of cabling which in turn affects the size of the void in the raised floor. Most schemes now provide an allowance of 100mm void under the raised floor.

If raised floors with these void sizes are installed on all of the office floors, then this significantly affects the floor to ceiling height in a negative way. This is further detailed below.

Due to the buildings on Denmark Street being Grade II listed, this compromises the ability to ensure that raised floors can be installed, hence, restricting the usability of the buildings as offices.

3.4 Floor to ceiling heights

Most occupiers seeking office accommodation of floors of 1,000 sqft (c.100 sqm) would require a property to provide open plan floors served by an air cooling system, modern ceilings with integral lighting and a fully accessible raised floor. Combining all of this makes refurbishment of these office floors impractical.

The low floor-to-ceiling heights prohibit the landlord from installing a raised floor and suspended ceiling, which is required to incorporate cabling and air cooling systems. Thus, restricting the possibility of bringing the existing office space up to modern day standards which in turn will lead to significantly lower rents being achieved.

3.5 Usability

Most modern occupiers need open plan floors where they have an eye line from one end of the office to the other. The existing configuration makes to the floor plates not flexible enough.

3.6 Lifts

Office occupiers require fast and efficient lifts and there is currently limited access to lifts and limited ability to install new lifts.

In this context it is concluded that the properties require substantial investment in its fabric to ensure its future of can be secured. However the listed status of many of the buildings and the period layout limits attractiveness to the modern occupier.

4.0 Market Commentary

4.1 Take Up

In 2011 take up in office space was 3.3m sqft in the West End, a decrease on 2010. Take up in Q1 2012 fell to just under 1.0m sqft, the lowest level since 2009. This is c.16% below the long term average. Second hand stock was worse hit, as is likely to remain the case, thereby providing more sites for new or alternative schemes.

4.2 Demand

The demand for small offices is generally good in the West End, however due the nature of modern occupier's requirements, the demand for the current floor space of this nature is limited.

This is proven by the void periods of the office space being currently marketed which has been over 100 days.

5.0 Conclusion

The existing properties provide poor quality office accommodation. This has meant that the existing tenants have only required short term extensions beyond their existing lease expiries and when marketing vacant suite letting voids have be substantial.

In order to attract better lease terms and rental returns, a substantial refurbishment would have to be undertaken. This requires substantial capital expenditure to bring it up to a lettable condition. Significant works would be necessary to install new mechanical & electrical (M&E) equipment, install lifts, remodel the entrances. Due to the physical restrictions of the floor to ceiling heights and the floor plates achieving a Grade A specification is not physically possible or economically feasible. As a result, even after refurbishment, the rental value would be discounted to reflect the compromised floor layouts

6.0 Disclaimer

This marketing report is to provide guidance in assessing possible rental values that may be achieved when the property is marketed. It is not a valuation and cannot be relied upon for any borrowing or other collateral. All rents are assuming the building is available in today's market after any of the recommended refurbishment works have been completed.