

# **Commercial Viability Report**

**New Premier House  
150 Southampton Row  
London WC1**

**9 November 2012**

**For**

**TJAC Southampton Row,  
LLC**

**PREPARED BY:**

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## 1. INTRODUCTION

We have been instructed by TJAC Southampton Row, LLC to undertake a Commercial Viability Study in connection with their planning application for the potential refurbishment of the upper parts of New Premier House, 150 Southampton Row, London WC1 (hereafter “New Premier House”) for student accommodation, whilst retaining all the existing ground and lower ground floor retail uses.

Within this report we shall provide details of:-

- Matthews & Goodman LLP
- Client Brief
- Executive Summary
- Planning background
- Overview of the building
- Location
- The Midtown office market
- Competing office buildings in Midtown offering suites to let of 93 sq m / 1,000 sq ft – 186 sq m / 2,000 sq ft
- New Premier House – enquiry schedule
- Representations from other parties
- Implications for New Premier House
- The UK Economy
- Planning policy compliance
- Planning policy compliance & Overview
- Summary

## 2. MATTHEWS & GOODMAN LLP

My name is Mark Tillson and I am a Senior Executive at Matthews & Goodman LLP and a Member of the Royal Institution of Chartered Surveyors. I qualified as a Member of the RICS in 1981 and have been with Matthews & Goodman for seven years. I have 28 years of experience in commercial property and have been based in London throughout this time. My specialisation is the office market in Greater London. One of my core competencies is the acquisition and disposal of office space.

Matthews & Goodman was established in 1865 and has been based in London ever since. It is a commercial surveying practise offering the full spectrum of property services. Matthews & Goodman has 2 offices in London’s West End and City and a core competency of the practice is the Central London office market.

### **3. CLIENT BRIEF**

My instructions are to review current Planning Policy and to assess the proposals by reference to those Policies. In addition I have been asked to respond to feedback from Planning Officers.

### **4. EXECUTIVE SUMMARY**

1. New Premier House is situated in central mid London, generically known as Midtown, between the West End where central government is located and the City which is the centre of the United Kingdom's financial services industry.
2. Midtown comprises four distinct areas: Bloomsbury, Covent Garden, Holborn and Kingsway. New Premier House is situated in Bloomsbury which lies wholly within the London Borough of Camden. Bloomsbury has been the home of major non-business uses for many years, including University College London, The British Museum and several hospitals.
3. The survey contained in this report demonstrates that the two principal uses in Southampton Row are hotels and retail.
4. I have researched the Midtown office market. Given the current majority use of New Premier House is offices, I have compared the outcomes of this market research against New Premier House.
5. The UK economy has been largely stagnant for five years since 2007 and there are no signs of recovery in the short to medium term.
6. New Premier House has only been used as offices since the 1980s and it is defined by independent research as second-hand Grade B space.
7. Despite extensive marketing by the current owners, a major London landlord since 2006 when they purchased the building, very few lettings have been achieved. 85% of the building will become vacant in 9 months time (July 2013).
8. In marketing the space we can show that Core Strategy policies have been thoroughly met.
9. This report demonstrates there is no demand for the continued use of this building as offices.

### **5. PLANNING BACKGROUND**

The site falls within Central London Area and Holborn Growth Area, as defined by the London Plan and the London Borough of Camden's Core Strategy (2010). The Borough Council is planning significant growth within these areas both in terms of housing and jobs.

Policy CS2 of the Core Strategy (2010) states that within the Holborn Growth Area, mixed use development will be encouraged, in particular housing and offices. The Core Strategy

indicates that within this Growth Area opportunities for redevelopment are likely to arise from the redevelopment of existing office accommodation.

Paragraph 8.8 of the Core Strategy develops this point further and confirms that the Borough Council will consider proposals for permanent housing in place of old office stock; however, this is subject to the requirements of Development Policy 13 (DP13). DP13 states that the Borough Council will seek to retain buildings that are suitable for continued business use and will resist a change to non-business use unless: a) it can be demonstrated that the site/building is no longer suitable for its existing use; and b) there is evidence that retaining, re-using or redeveloping the site/building for a similar or alternative business use has been fully explored over an appropriate period of time. Paragraph 13.5 suggests two years is an appropriate period of time. In respect of the marketing period, we have also previously been advised by the Borough Council that where the redevelopment of old office stock is being proposed and it can be demonstrated that the existing building is no longer suitable for business use, then a marketing period is not required.

Paragraph 6.3 in CPG5: Town centres, retail and employment (Camden Planning Guidance 5, 2011) states that “We expect the supply of offices to meet the projected demand over the plan period and as a result we may allow a change from B1(a) offices to another use in some circumstances, such as older office premises or buildings that were originally built as residential dwellings. Our priorities is for the replacement use to be permanent housing or community use. This approach is in line with policy *DP13 Employment premises and sites* in Camden Development Policies”.

DP13 also provides for circumstances where premises are suitable for continued business use. In this instance the Council will consider redevelopment proposals for mixed use schemes provided that c) the level of employment floorspace is maintained or increased; d) they include priority uses such as housing.

DP14 supports the provision of hotel accommodation within Holborn. The Core Strategy would also seek the retention of the existing ground floor A Class uses.

In conclusion, the principle of housing or hotel accommodation in the Holborn growth area is supported by the Core Strategy; however, the Core Strategy also seeks to prevent loss of office floorspace. Therefore any loss of office floorspace arising from the redevelopment of this site would need to be justified against parts a) and b) of DP13 in order to demonstrate that the existing office use is no longer in demand or fit for purpose.

Planning policy compliance is addressed in Section 13, in particular CPG5 – offices 6.4. In addition 6.4 states, “When it would be difficult to make an assessment of the above, we may also ask for additional evidence in the form of a marketing assessment”. The evidence we have compiled is recorded in this report and also summarised in Section 13.

## 6. OVERVIEW OF THE BUILDING

All the points in this overview are from the relevant sections in this report.

6.1. New Premier House was built about 100 years ago for residential purposes.

- 6.2. Searchgrade, the building's owners which is part of Pearl & Coutts, have owned the building for 6 years, during which time vacancy rates have increased despite extensive marketing, which is fully detailed in this report.
- 6.3. The decoration and presentation of both the common areas of the building and the vacant suites is perfectly satisfactory for marketing purposes.
- 6.4. There are 14 office suites in the building and all except 3 are between 93 sq m / 1,000 sq ft and 186 sq m / 2,000 sq ft. These unit sizes are suitable for SMEs.
- 6.5. Nearly 50% of prospective tenants who have made enquiries about the vacant space have viewed, which represents a higher proportion than average based on our experience elsewhere. However only 2 lettings equating to 10% of the floor space have occurred.
- 6.6. The feedback from prospective tenants demonstrates there are many issues that are deterrents and these include:-
  - 6.6.1. Tenants and prospective tenants do not like students from the adjoining St Giles Language School congregating on the pavement and causing congestion.
  - 6.6.2. The office entrance has no prominence on Southampton Row and is not easy to find amongst the retail units which extend on to the pavement.
  - 6.6.3. Two steps, followed by three steps, restrict access for ambulant disabled visitors and workers. A wheelchair ramp is available at all times but its use prevents access by other people.
  - 6.6.4. The entrance hall is long and narrow, and difficult for people to pass in opposite directions.
  - 6.6.5. There is no reception area at all, which is unusual and it is impossible to create a reception due to the adjoining ground floor space is let to retailers.
  - 6.6.6. The lack of reception area means that once visitors have entered the building there is no means of monitoring them. This represents a potential security risk to tenants.
  - 6.6.7. There is only 1 lift serving 7 office floors which leads to lift waiting times throughout the day which tenants and prospective tenants do not like.
  - 6.6.8. Male and female WCs are on alternate floors, rather than on each floor. In addition there are only 2 single disabled WCs in the entire building, which means that disabled people are reliant on the single lift to get them to the WCs.
  - 6.6.9. Each office floor is constrained by the central core which divides it into 2. Structural walls intruding into each half floor act as a further divider, all of which is contrary to market requirements for open plan floors.
  - 6.6.10. The net result is dissatisfaction within the building from existing tenants.
  - 6.6.11. The vacant suites are being marketed between £21 per sq ft and £23 per sq ft and on flexible leases. This report demonstrates the rent is competitive, ie it is 24%

New Premier House, 150 Southampton Row, London WC1

lower than the average quoting rent for office suites of similar sizes elsewhere in Bloomsbury.

6.6.12. Only 2 new lettings took place in 2011 which represents only 10% of the total floor space.

6.6.13. By July next year, in less than 9 months, the offices will be 100% vacant.

6.7. Economic conditions in the UK and elsewhere continue to worsen which is reducing business confidence. This in turn is holding back economic growth, thereby reducing demand for office space. Currently 55% of the offices are vacant.

6.8. The owners have considered alternative uses and their 4 page letter summarising their results is included as Appendix 14 to this report.

## 7. PEARL & COUTTS

Appendix 1 comprises a 6 page letter from Pearl & Coutts, which is the building's owner.

Pearl & Coutts is a property company which was established in 1965 with a core focus on commercial property. With reference to their website, at the time of writing Pearl & Coutts currently have space to let in 27 properties in the West End, 31 in Midtown and 31 in the City. This represents one of the largest property portfolios across Central London which also includes additional buildings where there is no vacant space.

Pearl & Coutts specialise in competitively priced office space and offer flexible leases, generally for a minimum term of 1 year. The range of offices offered are from 10 sq m / 100 sq ft up to 930 sq m / 10,000 sq ft in size. Pearl & Coutts specialise in letting office space in suites up to 190 sq m / 2,000 sq ft and carry out their own marketing campaigns rather than relying solely on agents.

Pearl & Coutts completed the purchase of New Premier House in October 2006. At that time the building was fully let and the office occupancy statistics were as follows:-

- Total number of suites that were let: 17
- Total number of suites that were vacant: 0
- The average length of unexpired lease term: 3 years
- The average rent under these leases: £25.97 per sq ft

The current position is as follows:-

- Total number of suites that are let: 8 – to 4 tenants
- Total number of suites that are vacant: 9 – which represents 55% floor area vacancy
- The average length of unexpired lease term: less than 1 year
- Average of less than £20 per sq ft rent in the 2 leases that have been granted since 2006

As a result of the Pearl & Coutts in-house leasing team failing to attract tenants for four years, Richard Susskind & Co was appointed in 2010. Subsequently Gale Priggen & Co were also appointed, but neither firm managed to produce any new lettings.



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Pearl & Coutts confirm that both they and the property agents advertised on the following websites:-

- [www.primelocation.com](http://www.primelocation.com)
- [www.estatesgazette.com](http://www.estatesgazette.com)
- [www.findaproperty.com](http://www.findaproperty.com)
- [www.wantspacegotspace.co.uk](http://www.wantspacegotspace.co.uk)
- [www.globrix.com](http://www.globrix.com)
- [www.gumtree.com](http://www.gumtree.com)
- [www.pearl-coutts.co.uk](http://www.pearl-coutts.co.uk)
- [www.movehut.co.uk](http://www.movehut.co.uk)
- [www.commercial-property.co.uk](http://www.commercial-property.co.uk)
- [www.richardsusskind.com](http://www.richardsusskind.com)
- [www.homes.trovit.co.uk](http://www.homes.trovit.co.uk)
- [www.feiner-demsith.co.uk](http://www.feiner-demsith.co.uk)
- [www.galepriggen.com](http://www.galepriggen.com)
- [www.facebook.com](http://www.facebook.com)

Pearl & Coutts have also submitted an additional letter dated 17 September providing a detailed breakdown on alternative uses including Class B1. This is included as Appendix 14.

In September 2011 Pearl & Coutts appointed Allsop & Co to sell the building because they were in a financially unsustainable position.

The Allsop & Co investment sale brochure is included as Appendix 2 and in total 42 separate parties inspected the building during a three month period. In January this year all parties were invited to submit written offers and of the 42 parties who had carried out inspections, ten submitted offers.

Only one offer came from a party who intended to continue operating New Premier House as an office building. The offer was made verbally and was too low for the Pearl & Coutts to accept. As a result it was not followed up and was never received in writing.

## 8. LOCATION

New Premier House is situated on the east side of Southampton Row (see arrow) in the Bloomsbury area of Midtown. Southampton Row is a major thoroughfare extending south to the junction of High Holborn and Kingsway and north to Russell Square.

Midtown comprises a series of adjoining areas including Bloomsbury, Covent Garden, Holborn and Kingsway, all within the red line boundary on the map.



### 8.1 Bloomsbury

New Premier House is situated in Bloomsbury, which is an integral part of Midtown with no official boundaries. Broadly it is bounded by the following streets:-

New Premier House, 150 Southampton Row, London WC1

West – Tottenham Court Road  
North – Euston Road  
East – Gray's Inn Road  
South – New Oxford Street, Bloomsbury Way, Theobald's Road

Bloomsbury lies wholly within the WC1 postcode and the London Borough of Camden.

The major occupiers in Bloomsbury all occupy substantial amounts of space for principal uses other than offices, and include:-

#### Centres of Medical excellence

Great Ormond Street Hospital is the global centre of excellence in child healthcare, closely associated with University College London (UCL). UCL's Bloomsbury campus is home to large parts of the Faculty of Biomedical Science and the Faculty of Life Science both of which sit alongside the University College and its hospitals: Tropical Diseases, National Neurology and Neurosurgery, Elizabeth Garret Anderson & Obstetrics, Eastman Dental, Royal London Homeopathic and The Heart Hospital.

UCL has over 4,000 academic and research staff and 648 professors; this is the highest number of any British University. Nearby, the British Medical Association's headquarters on Tavistock Square is one of Bloomsbury's largest occupiers with 600 people working on site.

#### The Brunswick

Allied London revamped the 6 acre, 15,800 sq m / 170,000 sq ft, 400 home Brunswick Centre between 2002 and 2006 by creating a new 3,900 sq m / 42,000 sq ft Waitrose supermarket which, at the time was the largest in Central London. They also added a retail frontage to the south overlooking Barnard Street as well as new shop fronts, lighting and hard standing throughout.

As a result the 1970s centre is now seen by many as "Bloomsbury's High Street" boasting attractive retail and leisure offers including the Renoir Cinema.

#### The British Museum

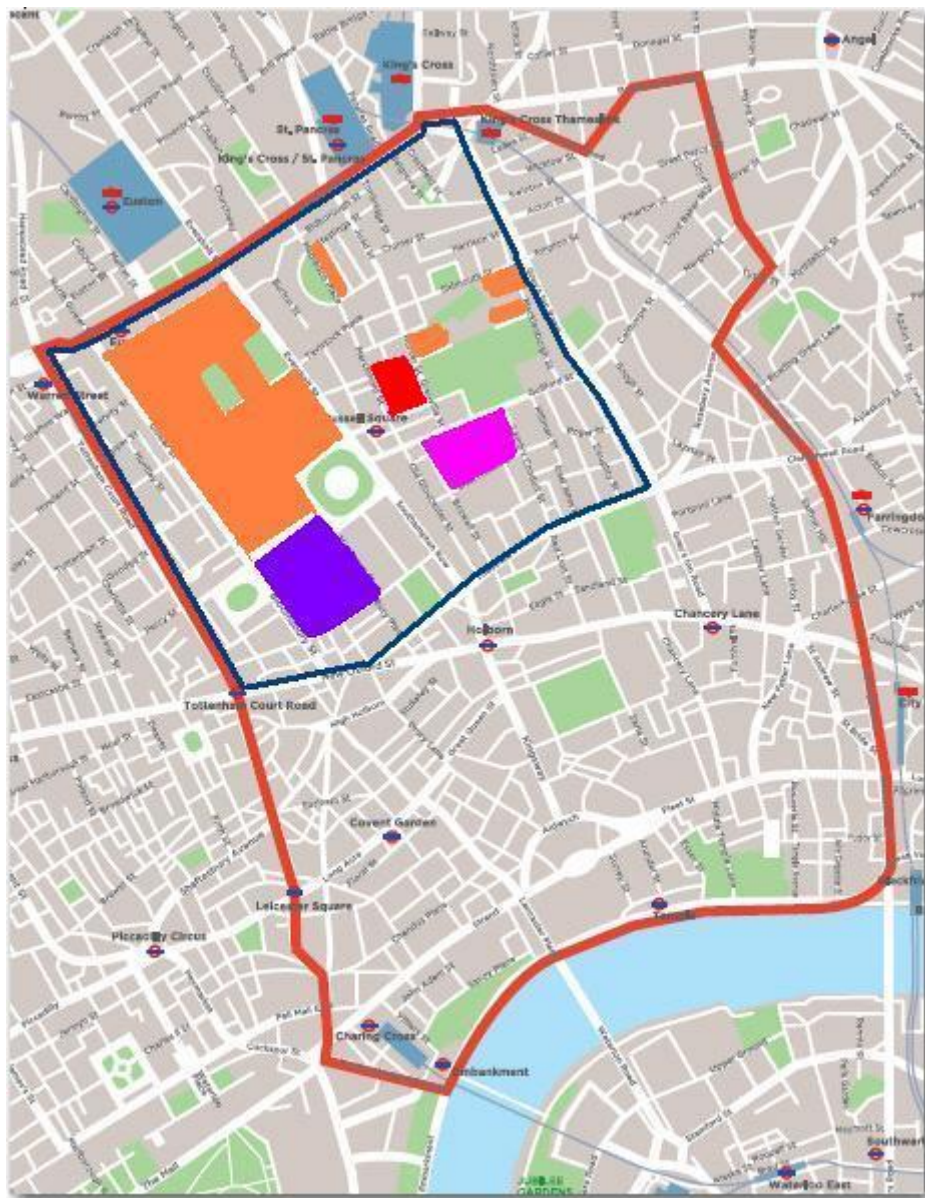
The British Museum is London's most visited tourist attraction, attracting 5.8 million people through its doors in 2010. The Museum, first opened in 1759 in Montagu House in Bloomsbury on the site of the current museum building, was the first "national" museum freely open to the public.






Today the Museum is one of the largest museums in the world at 91,975 sq m / 990,000 sq ft with an additional 21,555 sq m / 232,000 sq ft of on-site storage. The centre of the British Museum was redeveloped in 2001 to become the Great Court, surrounding the original reading room.

The map of Midtown below shows the Bloomsbury boundary referred to above. Edged in blue, this map demonstrates the significant land areas taken up by the Hospitals, University College London and the British Museum, as well as The Brunswick and public open spaces:-



New Premier House, 150 Southampton Row, London WC1



- |  |   |
|--|---|
|  Medical Uses       |  University College London |
|  The British Museum |  The Brunswick             |
|  Public Open Spaces |   |

## 8.2 King's Cross and King's Cross Central

This area lies on the Bloomsbury boundary and it is of sufficient size to be included in the report, given its overall significance.

King's Cross and St Pancras Railway Stations are major railway terminuses in London and serve large parts of the UK offering both inter city mainline rail services and suburban rail services. Both stations are also transport hubs with London Underground Stations serving six

New Premier House, 150 Southampton Row, London WC1

Underground lines including Piccadilly, Victoria, Northern, Circle, Metropolitan and Hammersmith & City lines.

In November 2007 St Pancras International became the London terminal of the Eurostar rail service with trains arriving from and departing for Paris and Brussels via the dedicated High Speed 1 rail link to the Channel Tunnel.

King's Cross Central is a 27 ha / 67 acre development of former railway land where 743,220 sq m / 8 million sq ft of mixed use space is being created. The first offices, shops, homes and a university are expected from this autumn onwards. In summary the following is in the process of being provided:-

- 455,000 sq m / 4.9 million sq ft of new office space;
- 46,450 sq m / 500,000 sq ft of retail opportunities;
- 2,000 new homes and serviced apartments;
- University of the Arts London;
- 10 ha / 25 acres of public space; and
- £2 billion of infrastructure works.

The majority of this land lies within London Borough of Camden and the Borough Council granted outline planning permission for the site in 2006.

This has collectively created a major new commercial district in the Borough. This is similar to the office and retail development at Victoria Station in the 1980s - 1990s and at Paddington Station in the late 1990s - early 2000s. At King's Cross this has also created a 'ripple effect' on the immediate surrounding neighbourhood with nearby buildings being refurbished, bringing many back into use.

### 8.3 Occupier survey of Southampton Row

I have carried out a survey along Southampton Row and the buildings on each side of Southampton Row starting from the southern end are as follows:-

#### **East – Principal Uses and Ground Floor Occupiers**

Name	Use	Ground Floor Retail
The Grange Holborn Hotel	5 Star Hotel	<ul style="list-style-type: none"> <li>• Koto Japanese Restaurant</li> <li>• Barclays Bank</li> </ul>
Faraday House	Office	<ul style="list-style-type: none"> <li>• Co-operative Bank</li> <li>• Unite Student Living in London</li> </ul>
80a Bristol House	Residential	<ul style="list-style-type: none"> <li>• Holland &amp; Barratt</li> <li>• Ask</li> <li>• Falkiners</li> <li>• Historic London</li> <li>• The Paper Shop</li> <li>• Hason Raja Indian Restaurant</li> <li>• Rymans</li> </ul>
Bonnington Hotel by Hilton	4 star Hotel	<ul style="list-style-type: none"> <li>• Double Tree Restaurant</li> </ul>

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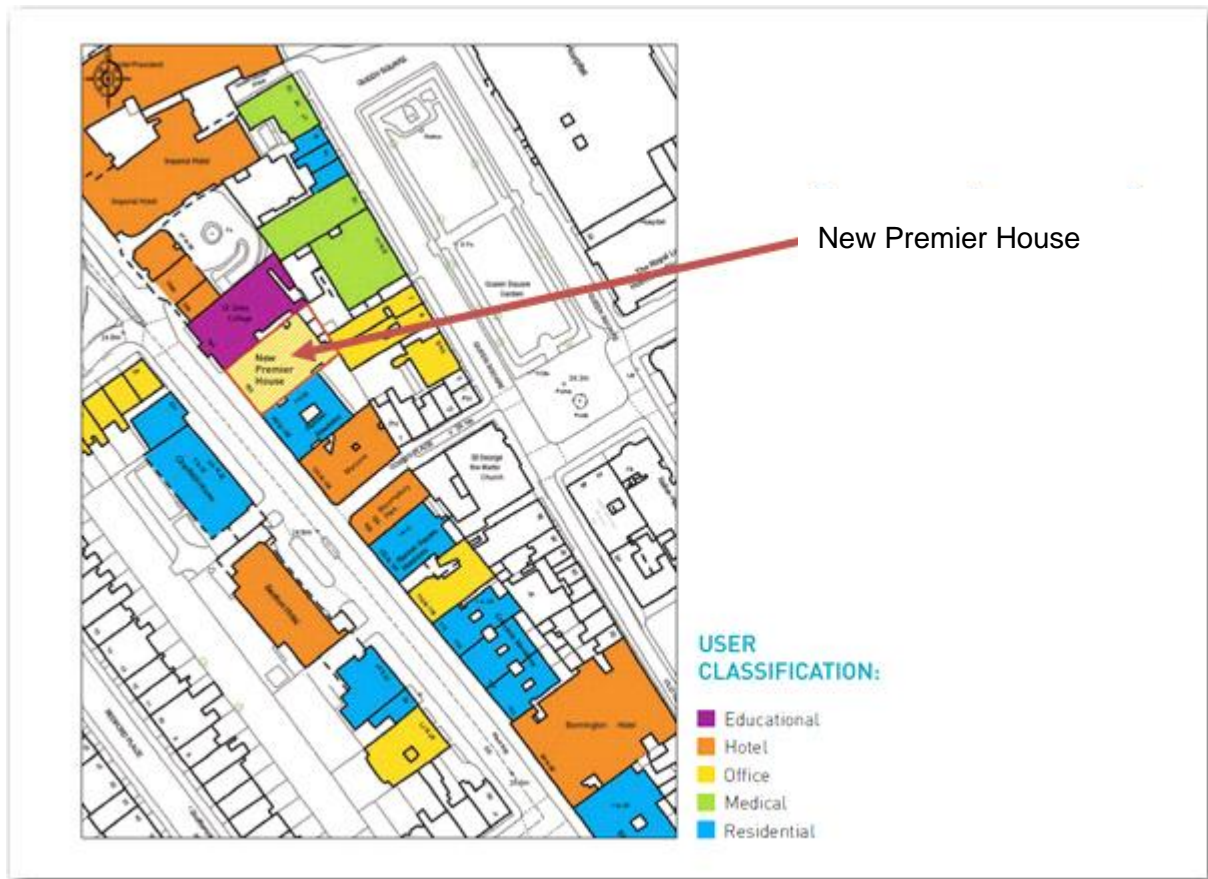
		<ul style="list-style-type: none"> <li>• Holborn Pharmacy</li> </ul>
100a – 106 – 110 Ormond House	Residential	<ul style="list-style-type: none"> <li>• Tesco Express</li> <li>• Pret a Manger</li> <li>• Frank Harris &amp; Co</li> <li>• Sticklers Sandwich Bar</li> <li>• Caffe Nero</li> <li>• Trattoria Verdi</li> <li>• Costa</li> </ul>
114 – 118 Southampton Row	Sold May 2012. Current intentions unknown	<ul style="list-style-type: none"> <li>• Pizza Express</li> </ul>
122 Russell Square Mansions	Residential	<ul style="list-style-type: none"> <li>• Book Warehouse</li> <li>• Starbucks Coffee</li> </ul>
126 – 128 Bloomsbury Park Hotel	3 Star Hotel	None
130 – 134 Mercure Hotel London Bloomsbury	4 Star Hotel	<ul style="list-style-type: none"> <li>• Subway</li> </ul>
144 Russell Mansions	Residential	<ul style="list-style-type: none"> <li>• Gift Centre</li> <li>• Historical London</li> <li>• The Chambeli Indian Restaurant</li> <li>• Capital Dry Cleaning</li> </ul>
150 New Premier House		<ul style="list-style-type: none"> <li>• Clockwork Pharmacy</li> <li>• Il Fornello Pizza &amp; Pasta</li> <li>• Pizza Hut</li> <li>• Portland Food and Wine</li> </ul>
154 St Giles International Language Training Centre	Language School	None

Continuing north, there are three more hotels, all fronting the full length of Russell Square on the east side:-

- Imperial Hotel – 3 star
- Hotel President – 3 star
- Hotel Russell – 4 star

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Map showing location of New Premier house and the immediate surrounding uses.



### **West – Principal Uses and Ground floor occupiers**

The uses are shown for the western side of Southampton Row, again starting from its southern end.

<b>Name</b>	<b>Use</b>	<b>Ground Floor Retail</b>
Rear elevation of Victoria House	Offices	<ul style="list-style-type: none"> <li>• Lloyds TSB</li> <li>• Power Cuts Hair and Beauty</li> <li>• Cantina</li> <li>• Hummus</li> <li>• Amway</li> </ul>
Spink Fine Art Auction House	Auction House	None
73 - four apartments	Residential	None
75 – 81 Hamilton House Mansion Block	Residential	<ul style="list-style-type: none"> <li>• The Diner at Bloomsbury</li> <li>• William Hill</li> <li>• Denises's French Restaurant</li> </ul>
Bedford Hotel	3 star Hotel	<ul style="list-style-type: none"> <li>• Bedford Hotel Cafe</li> </ul>
97 -107 Cranfield House	Residential	<ul style="list-style-type: none"> <li>• Ginsen Massage</li> <li>• Antalya Turkish Restaurant</li> <li>• Old Amalfi Mediterranean Restaurant</li> </ul>
109	Hostel	None

### **Survey Summary**

1. The principal commercial use comprises five hotels as visitor accommodation, which offer a variety of tariffs and grades of accommodation between 3 and 5 stars. There is a range of retail uses with pockets of residential blocks.
2. There are 45 retail / financial service ground floor outlets and a breakdown of these uses is as follows:-

Restaurants	17
Coffee Bars / Sandwich Bars	7
Other visitor related retail including pharmacies, food retailers and banks	10
Miscellaneous retail	10
Student Housing enquiry centre	1



Photographs showing the broad range of retail users and hotels on Southampton Row catering for visitors are included as Appendix 3.

3. Restaurants, coffee bars and other visitor related retail uses total 34, which equates to 75% of the total retail presence.
4. Other than New Premier House, office use is limited to three buildings comprising:-
  - Victoria House - rear elevation with main frontage on Bloomsbury Square
  - Faraday House - rear elevation with the main frontage on Old Gloucester Street
  - Spink Fine Art Auction House – with offices above
5. It is clear from the survey that Southampton Row is a visitor accommodation destination, as opposed to a visitor attraction destination.

#### 8.4 New Premier House

New Premier House comprises offices above four retail units at ground floor level:-

- Portland Food & Wine
- Pizza Hut
- Ill Fornella
- Clockwork Pharmacy

The intention of the proposed refurbishment scheme is to retain occupation of these existing tenants in the ground floor Class A retail accommodation. Since the proposal forms a refurbishment as opposed to redevelopment, this is fully achievable. All 4 retail tenants are fully supportive of the proposed refurbishment scheme.

The offices total 2,284 sq m / 24,581 sq ft arranged on 1<sup>st</sup> – 7<sup>th</sup> floors inclusive ie 7 floors. The offices are approached by a narrow entrance off Southampton Row with no reception area, leading to a single eight person passenger lift which serves all the upper floors.

The absence of a reception area means there is no means of monitoring visitors both up to the office floors and when they exit the building, which represents a potential security issue.

It is impossible to create a reception area because the ground floor space is already let to the retail tenants on either side of the entrance corridor.

The schedule of floor areas and tenants shows that 7 suites are let to a total of 4 tenants. All 4 tenants have made arrangements to move out of the building by July 2013. Appendix 15 comprises letters from each of them setting out the reasons why they are leaving the building.

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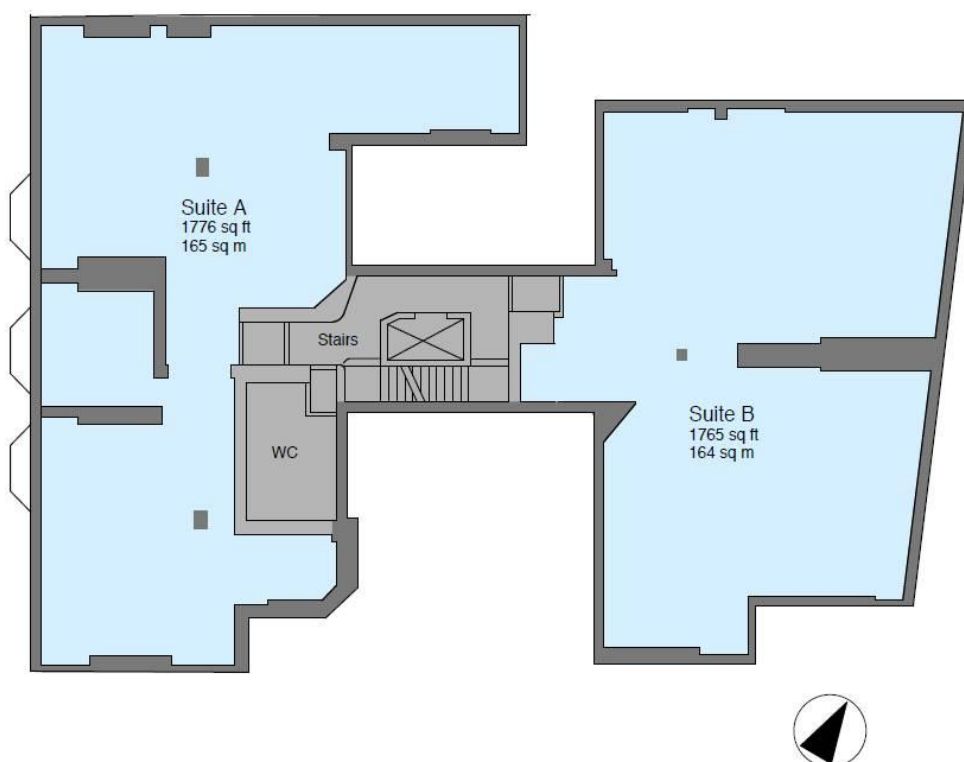
Tenant Name	Unit Location	Floor	Floor Area Sq m / Sq Ft	End Date	Rent PSM/PSF £
Vacant	Suite A	7 <sup>th</sup>	141/1,518	N/A	N/A
Vacant	Suite B	7 <sup>th</sup>	116/1,247	N/A	N/A
Vacant	Suite B	6 <sup>th</sup>	136/1,462	N/A	N/A
Thames Education Ltd	Suite A	6 <sup>th</sup>	70/750	14/09/2016	£215.28/ £20.00
Vacant	Suite A	6 <sup>th</sup>	92/990	N/A	N/A
Vacant	Suite B	5 <sup>th</sup>	150/1,613	N/A	N/A
SAM Learning	Suite A	5 <sup>th</sup>	164/1,760	11/05/2014	£200.53/ £18.63
Premier IT Group Ltd	Suite B	4 <sup>th</sup>	165/1,774	23/06/2013	£294.50/ £27.36
Premier IT Group Ltd	Suite A	4 <sup>th</sup>	163/1,758	23/06/2013	£273.73/ £25.43
Cleveland Travel Ltd	Suite B	3 <sup>rd</sup>	181/1,945	18/11/2013	£279.86/ £26.00
EMC-Energy Market Consultants	Suite A	3 <sup>rd</sup>	168/1,808	28/11/2012	£357.26/ £33.19
Premier IT Group Ltd	Suite C	2 <sup>nd</sup>	108/1,164	23/06/2013	£296.98/ £27.59
Vacant	Suite B	2 <sup>nd</sup>	94/1,010	N/A	N/A
Premier IT Group Ltd	Suite A	2 <sup>nd</sup>	165/1,774	23/06/2013	£292.89/ £27.21
Vacant	Suite B	1 <sup>st</sup>	204/2,198	N/A	N/A
Vacant	Suite A	1 <sup>st</sup>	160/1,717	N/A	N/A
Premier IT Group Ltd	Basement	Basement	9/93	23/06/2013	£129.17/ £12.00
<b>Total Office</b>			<b>2,284 sq m/24,581 sq ft</b>		<b>£286per sq m/ £26.57 per sq ft</b>

New Premier House contains a central core which comprises the lift, staircase and WC facilities. This central core forms a structural division in the middle of the building, which divides the current office accommodation on each floor into two parts. As a result, out of a total of 14 half floor suites, all bar three of these suites are between 93 sq m / 1,000 and 186 sq m / 2,000 sq ft each.

Earlier in this report it was noted that Pearl & Coutts specialise in letting suites of up to 190 sq m which is where this building sits in the market.

A typical floor plan is shown below and the following should be noted:-

- The centre core creates a structural divide at each floor level, shown by the grey tinted area
- The darker grey tint shows the perimeter walls and internal structural walls, which physically divide the office suites shown in blue
- This plan clearly shows how the office space is divided on each floor



TYPICAL UPPER FLOOR PLAN (FOURTH)

Not to scale  
Indicative only

Appendix 4 comprises photographs demonstrating the physical constraints in the building for office use. It also demonstrates that the decoration and presentation of the common areas and vacant suites is perfectly satisfactory for marketing purposes.

Section 12 on page 26 below contains letters from Pearl & Coutts, the owners, and the two letting agents providing further commentary on the building and the immediate area. The owner also comments on the issues they have faced in trying to let vacant space since they purchased the building in 2006, and more particularly in the last two years.

## 9. THE MIDTOWN OFFICE MARKET - Bloomsbury, Covent Garden, Holborn and Kingsway

This commentary has been prepared from research material which is publicly available from Farebrother, a firm of commercial property advisors which specialises in Midtown and the City office markets.

### 9.1 Definitions

Midtown	Bloomsbury, Covent Garden, Holborn, Kingsway
Availability Rate / Supply	Available offices as a percentage of the total stock
Take up / Demand	Completed transactions where offices are let or sold to an occupier
New	Brand new buildings or buildings developed behind a retained facade
Refurbished	Buildings that have undergone a major refurbishment
Secondhand Grade A	Previously occupied higher quality space with features such as air conditioning and raised floors
Secondhand Grade B	Previously occupied lower quality space with features such as central heating and perimeter trunking

Three parties have made their own representations, suggesting where the building sits in the market, in terms of its specification:-

- Pearl & Coutts – building owner since 2006
- Richard Susskind & Co – letting agent for the building
- Gale Priggen & Co – letting agent for the building

It is the assertion of each of these parties that New Premier House comprises secondhand Grade B accommodation.

I note the specification, as follows, which is taken from the letting particulars included as Appendices 11 & 12:-

- Central Heating
- Perimeter trunking
- Secondary glazing in part
- Passenger lift

In addition, from my inspections I note:-

- There is only one passenger lift serving the entirety of the offices on 7 floors, which is below the norm for a building of this size

New Premier House, 150 Southampton Row, London WC1

- There is no reception area
- Male and female WCs are arranged on alternate floors with only 2 disabled WCs serving all the offices

Accordingly I agree that the building comprises secondhand Grade B accommodation.

## 9.2 Office Market Commentary: Demand & Supply Summary for Q1 to Q4 2011

	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Availability rate	7%	5.5%	6.0%	5.2%
New/refurbished (a)	34,931 sq m 376,000 sq ft	14,586 sq m 157,000 sq ft	39,762 sq m 428,000 sq ft	38,833 sq m 418,000 sq ft
Secondhand (b)	185,804 sq m 2,000,000 sq ft	162,579 sq m 1,750,000 sq ft	153,289 sq m 1,650,000 sq ft	130,063 sq m 1,400,000 sq ft
Take up per quarter (a+b) – 6 yr average	48,960 sq m 527,000 sq ft	48,960 sq m 527,000 sq ft	48,960 sq m 527,000 sq ft	48,960 sq m 527,000 sq ft
Take up this quarter (a+b)	65,030 sq m 700,000 sq ft	51,560 sq m 555,000 sq ft	54,162 sq m 583,000 sq ft	39,669 sq m 427,000 sq ft
New/refurbished (a)	15,515 sq m 167,000 sq ft	18,580 sq m 200,000 sq ft	8,547 sq m 92,000 sq ft	7,061 sq m 76,000 sq ft
Secondhand (b)	49,517 sq m 533,000 sq ft	32,980 sq m 355,000 sq ft	45,615 sq m 491,000 sq ft	32,609 sq m 351,000 sq ft

## 9.3 Midtown Office Market – Overview of the above data

1. The Availability Rate (ie Supply) declined throughout 2011, quarter on quarter, which is a trend continuation from the second half of 2010.
2. However Take Up (ie Demand) in 2011 also declined and was over 40% less than in 2010.
3. It should be noted that Demand reduced not only in Midtown but across the whole Central London commercial property market (West End – Midtown – City) in 2011. The state of the UK economy, referred to in Section 14 on page 28 has reduced business confidence which is curtailing corporate investment plans, which includes property relocations.
4. The results in 1. and 2. above are not reflected in take up of vacant space at New Premier House, where only two leases in the period 2006 to 2012 were granted, both in 2011. These two leases account for only 10% of the total floor area of the building.
5. Take up in 2012 has reduced, particularly in the third quarter where the Olympic Games and economic uncertainty has had a detrimental effect, and there is no evidence yet of market conditions improving.

## 10. COMPETING OFFICE BUILDINGS IN MIDTOWN OFFERING SUITES OF 93 SQ M / 1,000 SQ FT - 186 SQ M / 2,000 SQ FT

Having reviewed the Midtown office market in 2010 and 2011, with particular regard to 2011, it is appropriate to review the current availability of competing offices suites of 93 sq m / 1,000 sq ft – 186 sq m / 2,000 sq ft in Midtown, given that 11 of the 14 half floors in New Premier House, i.e. 80%, fall within this size range.

The attached schedule in Appendix 5 has been downloaded from Focus, a leading UK commercial property information platform to which Matthews & Goodman subscribe. The schedule lists office suites to let across Midtown, summarised as follows:-

The total number of buildings	46
The total number of suites between 93 sq m / 1,000 sq ft and 186 sq m / 2,000 sq ft	88
Buildings on this schedule located in Bloomsbury	9 = 19.56%
Suites on this schedule located in Bloomsbury	17 = 19.31%

This schedule demonstrates the high level of availability of suites across Midtown, which confirms there is a wide range of choice for potential tenants.

The most popular areas in Midtown are Holborn and Kingsway, both of which are recognised office locations. However it is interesting to note that only nine office buildings, i.e. less than 20%, are situated in Bloomsbury.

Quoting rents for offices in this schedule situated in Bloomsbury are summarised as follows. They vary between £16 psf for a suite on the third floor in a building with no lift access which accordingly has been discounted because walking up 3 storeys is unattractive to prospective tenants.

All the other quoting rents range from £35 psf to £22.09 psf, with an average of £30.83 psf. These quoting rents exclude service charge, rates and VAT in the usual way.

## 11. NEW PREMIER HOUSE – ENQUIRY SCHEDULE

Appendices 11 and 12 comprise the letting details from Richard Susskind and Gale Priggen. The quoting rents, depending on the suite and its location in the building vary between £21.36 psf and £23.53 psf. These quoting rents exclude service charge, rates and VAT in the usual way.

These rents are very attractive being 24% lower than the average for Bloomsbury of £30.83 psf noted at the end of the preceding section.

## New Premier House, 150 Southampton Row, London WC1

I have attached the enquiry schedule received from Pearl & Coutts at Appendix 6. In summary in the period from March 2007 until June 2012 Pearl & Coutts received 46 enquiries specific to this building as a result of their direct marketing campaigns. You will see that the majority of these enquiries were mainly in the size range of 93 sq m / 1,000 – 186 sq m / 2,000 sq ft. However this resulted in only two lettings. The floor area of these two lettings has accounted for only 10% of the building's total floorspace.

As a general comment, Pearl & Coutts have included details of this building to all parties enquiring for office space in Midtown. Please note the attached schedule is for enquiries specific to New Premier House. From the summary analysis below taken from the enquiry schedule, 21 of the 46 companies viewed the building. This equates to 47% which is high but, as noted above, only 2 lettings took place.

<b><u>Company</u></b>	<b><u>Viewed Space Yes/No</u></b>	<b><u>Outcome</u></b>
Funds Partnership	No	Not given
Point Topic	Yes	Space not suitable
Invest Connect	Yes	Not happy with service charge
Digimobjobs	Yes	Did not like space
9ine Consulting	No	Not given
Go Interactive Solutions	Yes	Not given
Stonewash DD&AG Ltd	Yes	Found better deal elsewhere
AQA group	No	Wrong location
Safilo UK Ltd	Yes	Not given
Sparkler Ltd	No	Rent too high found better deal
blix.it	No	Space not suitable for requirement
ibuildings UK Ltd	Yes	Office too big
Tacit Knowledge	Yes	Common parts not smart enough
Go Interactive Solutions	Yes	Did not like facilities, such as the lift
The 451 Group	Yes	Did not like space
Curtin & Co	No	Area not right for company
Schedule 2 Ltd	Yes	Did not give reason
self employed	No	Wrong location

Quickblox	Yes	Did not give reason
ReallyBritish	No	They wanted a serviced office
ENIVA Ltd		Not happy with rent or service charge
Unida Place Ltd	No	No reason given
ShelterBox	No	No reason given
Rewind Creative Media Ltd	Yes	Wanted more modern trendy space
chinese remedy	No	Not an office occupier
Elements Club	No	Building in wrong location
Sim Kapila	Yes	Too expensive for them
Media Tree Limited	Yes	Did not like location
Instinct Studios	No	Did not want to view
Odyssey Entertainment Limited	No	Wanted West End
africa travel centre	No	Reason not given
Odyssey Entertainment Ltd		Reason not given
Paul's College London		Wrong location
Gordon Lindsay Associates	No	Reason not given
Wynden Stark	No	Wrong location
Paragon Vintners	Yes	Found better deal elsewhere
Cornerstone Connect	No	Reason not given
Munro-Faure	No	Details sent no contact after that
Netplay TV plc	Yes	Did not like space
Paul's College London		Wrong location reconfirmed
Reward	Yes	No reason given
KiWi Power	No	Wrong location for them
Blackrock	No	Wrong location for them



CMS	Yes	Liked space but found more suitable office elsewhere
Diagonal View Ltd	Yes	Space not modern enough
R55	Yes	Reason not given

Prospective tenants did not like the location or the building configuration.

As a general market comment, the ten most common issues for prospective tenants at the inspection stage are:-

- Entrance frontage
- Reception
- Access / lifts
- Services e.g. WCs
- Floor plate shape / columns
- Comfort cooling
- Existing electrical capacity
- Vertical riser space for IT fit out
- Statutory compliance e.g. Disability Discrimination Act
- Cost of fit out

It is clear by reference to the letting details in Appendix 11 & 12 that:-

- Pearl & Coutts can do nothing about the majority of the above items due to the physical layout of the building.
- This building does not perform well at the viewing stage. This accounts for why lettings have not occurred other than the two small lettings previously referred to, totalling 10% of the total office floor area, over a six year period.
- The high percentage of enquiries converted into viewings demonstrates that the quoting rents and flexible lease terms attracted viewings.

It is worth recording the principal terms of these two new leases:-

- 6<sup>th</sup> floor suite A: The lease to Thames Education commenced in September 2011 following a 21 month void period after the expiry of the previous lease. The rent in the previous lease was £25 psf. The lease to Thames Education is for 5 years and was granted at £20 psf with a three month rent free period.
- 5<sup>th</sup> floor suite A: The lease to SAM Learning is for a three year term from May 2011. The rent is £18.63 psf with a tenant only break at 18 months. Thus, there is only 18 months guaranteed rent.

This variance in the lease lengths and low rents show Pearl & Coutts' flexibility to try and do lettings.

## **12. REPRESENTATIONS FROM OTHER PARTIES**

I attach three letters (Appendices 1, 7 & 8) and Appendices 9 – 13:-

Appendix 1:	Letter from Pearl and Coutts, with its own Leasing Team
Appendix 7:	Letter from Richard Susskind & Co, Letting Agent
Appendix 8:	Letter from Gale Priggen & Co, Letting Agent
Appendix 9:	Email confirming order of To Let board in October 2006
Appendix 10:	Photograph of To Let board on the front of Premier House
Appendix 11:	Letting details
Appendix 12:	Letting details
Appendix 13:	Website marketing details

## **13. WHAT ARE THE IMPLICATIONS FOR NEW PREMIER HOUSE?**

### **13.1 Marketing of vacant space**

Take up of space in 2010-12 in New Premier House has been very limited, as is apparent in the three letters referred to, despite lettings occurring elsewhere in the Midtown office market through this two year period as noted above.

This is for a number of reasons:-

- Bloomsbury is a location for significant other uses for example, centres of medical excellence, UCL and The British Museum and hotels. Consequently it is not seen as a recognised office location by commercial business tenants.
- By contrast the area further south around Holborn Tube Station, with its connectivity both north – south and east – west Underground access is a recognised office location. This is a function of tenant demand.
- The internal layout of the building with the division between the front and rear of each floor due to the presence of the central core means this building is only of interest to companies seeking suites of less than 93 sq m / 1,000 sq ft.
- The suites are further broken up by internal structural walls which means they do not meet the modern office requirement for open plan floors, which tenants have been seeking for over 20 years.

Feedback from organisations and companies that viewed included:-

- Tenants and prospective tenants do not like students from the adjoining St Giles Language School congregating on the pavement and causing congestion.
- The office entrance has no prominence on Southampton Row and is not easy to find amongst the retail units which extend on to the pavement.

- To enter the building there are two steps, followed by three steps, which restrict access for ambulant disabled visitors and workers. A wheelchair ramp is available at all times but its use prevents access by other people.
- The entrance hall is long and narrow, and difficult for people to pass in opposite directions.
- There is no reception area to deal with visitors, which is unusual.
- It is impossible to create a reception area as the adjoining ground floor space on each side is fully let to retailers.
- The lack of reception area means that once visitors have entered the building there is no means of monitoring them. This represents a potential security risk to tenants.
- There is only 1 lift serving 7 office floors which leads to lift waiting times throughout the day which tenants and prospective tenants do not like.

### 13.2 Office Tenant feedback in New Premier House

Tenant feedback set out in the Pearl & Coutts letter in Appendix 1 is relevant and I quote from this as follows, in italics:-

- *Kelly Services vacated their space on the 1<sup>st</sup> floor on 14<sup>th</sup> February 2011 and we have been unable to re-let this space over the last 15 months.*
- *The Secretary of State occupied a small suite on the second floor and vacated last year. Similarly we have been unable let this space.*
- *An existing tenant on the fifth floor served notice to exercise their lease termination break citing a need for 'more modern office space closer to the tube station'.*
- *Drew Marine, a tenant on the sixth floor, currently is holding over; we have approached them to seek to agree terms for an extension but they would only be persuaded to renew their lease at a rent below market level and only on a month to month basis.*
- *The largest tenant in the building, Premier IT. This company occupies 718 sq m / 7,727 sq ft which equates to 31% of the total office floor area, is due to move out of the building at or before their lease expiry date in June 2013. The substandard location was the principle reason given regarding Premier IT's decision to relocate.*

*Unfortunately this has placed the current ownership of New Premier House in a financially unviable and unacceptable position, due to:-*

- *No new lettings have been completed since 2007, other than two small lettings representing only 10% of the office floor area, in a six year period, to which must be borne in mind the cost of professional fees to complete the transactions.*
- *To avoid bank foreclosure, two short term deals were completed in 2011 at low rents of substantially less than the current building average.*

- *It is not financially viable to complete any further lettings on these terms.*
- *Taking into account other lease expiries, by the time the Premier IT leases expire in June 2013 we will be left with three office lettings in the building totalling 4,123 sq ft. This means that 83% of the building will then be vacant.*

*Overall this demonstrates the building's unsuitability for modern office use. As a result of this, last September we appointed Allsop & Co to market the building to sell our interest.*

The latest position is that the last 4 tenants comprising SAM Learning, Thames Education, Premier IT Group and Cleveland Travel are leaving the building. Letters from each of these companies setting out the reasons why they are leaving are included in Appendix 15.

## 14. THE UK ECONOMY

Richard Doffman, Director at Pearl & Coutts, referred in his letter (Appendix 1) to the poor state of the UK economy over the last five years. UK Gross Domestic Product growth in 2011 was just 0.9%. The economy is now in recession for a second time since 2008 and GDP growth for 2012 is forecast at no more than 0.4%. There has been only a feeble economic recovery since the 2008-09 recession and two and a half years later output is still 4% below its peak in Q1 2008.

The effect on the UK economy of the cost of the Eurozone rescue packages has yet to be determined. Since May 2010, Greece, Ireland, Portugal and now Spain have received extra funding which totals 492.5 billion euros. However, this does mean that any economic recovery will be pushed even further back. The Governor of The Bank of England, Sir Mervyn King, and three other Bank of England policy makers warned MPs on the Treasury Committee on Tuesday 26 June 2012 that, "When this crisis began in 2007/8 most people, including ourselves, did not believe we would still be right in the thick of it, in the middle of it, quite this late. All the way through, I've said to this Committee I don't think we are yet half way through – I've always said that and I'm still saying it".

Sir Mervyn King also said at the meeting that he had called for further quantitative easing in June because the situation had deteriorated sufficiently from the Monetary Policy Committee's May forecast. Sir King also said he had "no idea what is going to happen in the euro area", which made him unwilling to take a "stab in the dark" about when the UK Economy could return to normality. "The confidence that is particularly lacking now is the confidence to invest today rather than wait and see what happens to the euro area and other developments over the next two years", he added – *Source: Financial Times*.

On 5 July 2012, it was announced that there would be an additional £50bn of quantitative easing. The Funding for Lending Scheme was announced in June by the Coalition Government; on 13 July the BoE has suggested that up to £80bn of loans are available to be funded at a cheap rate under this scheme.

The UK is two years into a seven-year austerity programme to try and close the current budget deficit and has fallen into a shallow double dip recession. The International Monetary Fund (IMF) has studied 173 cases of budget cuts in individual countries and found that the consistent result is economic contraction. In reality, budget cuts do not inspire business confidence; companies will only invest when they can foresee enough customers with enough income to spend, thus austerity discourages investment.

On 16<sup>th</sup> July 2012 the IMF published its latest economic forecasts. “Britain’s economic outlook has deteriorated faster than any other major advanced economy. The IMF slashed its UK growth forecast for this year to just 0.2 percent, against the 0.8 percent it had predicted in the spring. Last summer it had expected Britain’s economy to expand 2.3 percent in 2012. The IMF also downgraded its forecast for UK growth next year from 2 percent to 1.4 percent. Source: *Financial Times*.

Overall this recession cannot be regarded in the same way as previous UK recessions. The economy is set to remain subdued for several years to come with long term implications for commercial property, especially secondhand Grade B buildings such as New Premier House.

More recently the International Monetary Fund stated in its Fiscal Monitor Report published on 9 October that Britain should relax its fiscal consolidation strategy – aimed at cancelling the nation’s structural deficit by 2017 – if the economy remained weak. These remarks add to pressure on George Osborne, the Chancellor, to switch to a “Plan B” to boost the UK’s ailing economy which has contracted over each of the past 3 quarters.

The fund sharply revised its forecast downwards from July for the UK’s economy this year from 0.2% growth to 0.4% contraction. The fund now expects growth of 1.1% next year, rather than 1.4%. But if growth undershoots these estimates, then the IMF has advised the UK to rethink the timing of fiscal retrenchment. The IMF’s enthusiasm for the UK economy strategy, which it initially supported, has waned this year. Source: *Financial Times*.

It was reported in the news on 18 October that nearly 1,000 retail stores closed in the first half of 2012 compared to 174 in the whole of 2011, according to new figures from consultancy PwC and the Local Data Company a retail information provider. Source: *Financial Times*.

Economic conditions in the UK and elsewhere continue to worsen which is reducing business confidence. This in turn is holding back economic growth, which is evidenced by Gross Domestic Product, now 16% below its 1980 – 2007 trend. The net effect is that weakened and investment decisions postponed, thereby reducing demand for new offices.

## 15. PLANNING POLICY COMPLIANCE

I set out below paragraph 6.4 (CPG5) with a commentary on New Premier House in response to every policy point, drawn from this report, for ease of cross reference.

I have then gone on to address, again in detail, all the points on marketing contained in CPG5 – Marketing (6.18), beginning on page 32.

### 15.1 CPG5 – Offices (6.4)

***There are a number of considerations that we will take into account when assessing applications for a change of use from an office to a non-office business use, specifically:-***

- ***the criteria listed in 13.3 of policy DP13 of the Camden Development Policies;***  
***- The Council.....will resist a change to non-business unless;***

**a) It can be demonstrated to the Council's satisfaction that a site or building is no longer suitable for its existing business use;**

a) With regard to this aspect of Policy all the subsets have been addressed in detail in the commentaries below

**and**

**b) There is evidence that the possibility of retaining, reusing or redeveloping the site or building for similar or alternative business use has been fully explored over an appropriate period of time.**

b) With regard to the criteria set out in b) above, these matters have all been addressed by Searchgrade in their letter dated 17 September, which is included as Appendix 14. Searchgrade is a wholly owned subsidiary of Pearl & Coutts.

- **the age of the premises. Some older premises may be more suitable to conversion;**

The property was constructed approximately 100 years ago, with the rear half being rebuilt after the Second World War. 150 Southampton Row was originally built for residential purposes.

- **whether the premises include features required by tenants seeking modern office accommodation;**

It is clear that several significant features are absent from the property for tenants seeking modern office accommodation. By reference to Section 13.1 in this Report and the letters of representation referred to in Section 12 and contained in Appendices 1, 7 & 8, the property does not have:-

- a) A high profile entrance or spacious common parts commensurate with an office building totalling 2,284 sq m/ 24,581 sq ft. For example the entrance hall is only 1.3m wide and it is 10m long and there is no reception area.
- b) The building has only one lift serving floors 1 – 7 inclusive, ie 7 floors which results in excessive lift waiting times at peak periods, which tenants do not like.
- c) WCs are arranged with different sexes only on alternate floors, as opposed to every floor, and again this encounters tenant resistance.
- d) Disabled WC provision is limited to 1 male and 1 female WC serving all 7 floors which is restrictive.

- **the quality of the premises and whether it is purpose built accommodation. Poor quality premises that require significant investment to bring up to modern standard may be suitable for conversion;**

The property remained in residential use for 80 years as 26 flats and was converted to offices in the 1980s. These offices and the common areas were subsequently refurbished in the late 1990s. Suspended ceilings and fluorescent lighting were installed in the offices together with re-carpeting and fully redecorated. The common parts also received new



ceilings and lighting, re-carpeting and redecorating and all doors to the WCs were replaced with veneer finish.

The property is not purpose built accommodation for the purposes of office use. For example:-

- a) The division of the two suites on each floor by the central core arrangement is a physical divide that is unacceptable to tenants;
- b) The intrusion of structural walls into the office suites, housing former fireplaces and flues, creates further divides; and
- c) Natural light for office purposes is reduced compared to purpose built office buildings due to the size and arrangement of windows which are residential in scale, reflecting the purpose for which the building was originally built.

Photographs demonstrating the building's physical constraints for office use are included in Appendix 4.

- ***whether there are existing tenants in the building, and whether these tenants intend to relocate;***

8 of the office suites are let and nine are currently vacant. By July next year the office building will be vacant. The 4 remaining tenants are already searching for new offices and the reasons why they are leaving are set out in their letters contained in Appendix 15.

- ***the location of the premises and evidence of demand for office space in this location;***

Southampton Row is a recognised thoroughfare. From the survey included in this report at Section 8.3 the street comprises a series of buildings of which the majority have ground floor retail tenants. The major use is hotels, offering a variety of tariffs between 3 and 5 star ratings. Other than New Premier House, there are only three other office buildings. Southampton Row is thus a visitor accommodation destination.

Appendix 3 comprises photographs showing the broad range of retail and hotel users on Southampton Row catering for visitors.

As to evidence of demand, the enquiry schedule included in Section 11 coupled to only two lettings at discounted rates in six years, shows that office tenants are not attracted to a visitor accommodation destination.

***and***

- ***whether the premises currently provide accommodation for small and medium businesses.***

The office suites vary in size from 70 sq m / 750 sq ft to 204 sq m / 2,198 sq ft. However the layout of the building and arrangement of the services compromises tenant occupation.

## 15.2 CPG5 – Marketing (6.18)

***We will require evidence of a marketing exercise for the loss of employment uses, in line with Core Strategy Policy SC8 and Policy DP13 of the Camden Development Policies. As a minimum, we will expect marketing exercises to include the follow:-***

- ***Use of a reputable local or national agent with a track record of letting employment space in the borough;***

Pearl & Coutts appointed their own leasing team in 2006 when they purchased the building. Information on the extent of their Central London property portfolio is mentioned in Section 7 in this report together with the letter from Pearl & Coutts in Appendix 1. In 2010, Pearl & Coutts added to their marketing efforts by appointing Richard Susskind & Co and Gale Priggen & Co. These 2 letting agents specialise in Midtown, which is located in the Borough.

- ***A visible letting board on the property (constant throughout the marketing period);***

Appendix 9 contains an email which confirms the date the letting board was erected, October 2006. Appendix 10 shows a photograph of the v-shaped To Let board, arranged to maximise visibility in both directions.

- ***Marketing material should be published on the internet including popular online property databases such as Focus;***

Marketing material has been published on high traffic websites for the entire period since 2006. The list of 14 websites included in Section 7 is taken from the Pearl & Coutts letter in Appendix 1.

- ***Continuous over at least two years from when the letting board is erected and the property is advertised online (ie simply from not when agents were appointed). We will consider shorter marketing periods for B1 (a) office premises;***

Marketing material has been published continuously for six years on high traffic websites since 2006 when Pearl & Coutts purchased the building. In addition, marketing material was published on the two letting agents' websites as soon as they were appointed in 2010.

- ***Advertised rents should be reasonable, reflecting market rents in the local area and the condition of the property;***

The advertised rents are attractive at between £21 and £23 per sq ft representing a 24% discount to the average quoting rent for vacant offices in Bloomsbury. The most recent lettings at £20 per sq ft and £18.63 per sq ft reflect current market rents and the condition of the property.



- ***Lease terms should be attractive to the market;***
  - ***Three years with longer terms, up to five years or longer, if the occupier needs to undertake some works***
  - ***and / or short term flexible lease for smaller premises which are appropriate for SMEs;***

Pearl & Coutts specialise in competitively priced office space and offer flexible leases, generally for a minimum of one year, as stated in their letter contained in Appendix 1.

The lease terms on the two new leases reporting on page 25 include 1 lease for 5 years and the second lease for a 3 year term with an 18 month tenant break clause.

- ***A commentary on the interest shown in the building, including any details on why this was not pursued; and***

The enquiry schedule listing specific enquiries for this building, demonstrates relatively low interest in the building since 2006 which coincides with occupier market activity being subdued from 2007 onwards. A summary of the enquiry schedule including reasons, where known, of why interest did not progress is included in Section 11 of this report.

- ***Where there is an existing employment use then we will require evidence that the tenant intends to move out.***

None of the 4 remaining office tenants listed in the schedule in Section 8.4 is interested in taking a lease renewal. Section 13.2 includes feedback from tenants who have already vacated the building. In addition Appendix 15 contains letters from each of the 4 remaining office tenants, setting out the reasons why they are moving out. The net result is that the offices will be completely vacant by July 2013.

- ***Whether the site is in a reasonable condition to allow the use to continue.***

The building has been maintained in a reasonable condition by Pearl & Coutts, a major London landlord. All the services provided by the Landlord in a multi-let office building are in working order.

## 16. OVERVIEW OF PLANNING POLICY COMPLIANCE

In this report we have demonstrated the building has been marketed by Pearl & Coutts, one of London's leading commercial property landlords. They have marketed New Premier House continuously since they purchased it in 2006. Their own direct marketing efforts have been augmented by the appointment of two firms of agents in 2010.

In relation to DP13 the lack of lettings in this building demonstrates that New Premier House is no longer suitable for office use. Also the evidence demonstrates that retaining, reusing or redeveloping the building for a similar alternative business use has been fully explored over an appropriate period of time. This is included in the letter from the building's owner in Appendix 14.

In this same period King's Cross Central, situated on the boundary of Midtown, has come to the fore as a new strategic office location, supported by various complementary uses.

Coupled to which, King's Cross and St Pancras are a significant public transport hub for London.

From the survey I have undertaken on Southampton Row, it is my opinion that it is a visitor accommodation destination, and not an office location. It is also clear that the proposal for New Premier House maintains all the existing retail uses. This complies with the Core Strategy requirement which seeks the retention of the existing ground floor Class A retail uses.

The matter of planning policy compliance has been addressed in detail in Section 15.

## **17.SUMMARY**

It is clear that despite the difficult conditions in the UK economy as a whole, office lettings activity has continued in Midtown. However, New Premier House does not meet modern office requirements for open plan floors. For example, the floor layout is compromised by the central core splitting each floor in two, together with internal structural walls in the suites, further compromising the floor layouts.

In addition the internal arrangement with narrow entrance corridor, no reception area and only one lift coupled to only an adequate level of WC provision cannot be addressed without loss of current retail space which is not feasible, as it is contrary to Camden's Core Strategy requirement.

The building is situated in Bloomsbury which is an area with large and substantial non-office uses. The location on Southampton Row is not a recognised office location as, following my survey, the primary uses are hotel and retail.

For these reasons together with the reasons stated in the accompanying letters referred to in Section 12, not least only two new lettings despite extensive marketing, this collectively demonstrates why new tenants are not interested in moving to this property.

The outcome is that the number of vacant suites in New Premier House has increased despite offering attractive terms and the building will be 100% vacant by July 2013.