



Keningtons

Chartered Surveyors

**15-27 BRITANNIA STREET
LONDON WC1X 9JB**

MARKETING OVERVIEW REPORT

For: Watkin Jones

**Keningtons LLP
33 Welbeck Street
London W1G 8LX**

April 2011



CONTENTS PAGE

15-27 Britannia Street: Marketing Overview	
Background	1
UCU Requirements	1
15-27 Britannia Street: Reasons for Sale	2
UCU Acquisition and Relocation to Carlow Street NW1	3
15-27 Britannia Street: Property Summary	4
15-27 Britannia Street: Marketing and Sales	5
Heads of Terms and Action to Date	7
The Open Marketing Process	7
Conclusions from Marketing Activity	8

APPENDICES

- I. Floor Plans
- II. Brochure

11 April 2011
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Dear Sirs

15-27 Britannia Street, London WC1X 9JP
Marketing Overview

We act for the University and College Union, the freehold owner of 27 Britannia Street, and this report confirms the marketing activities we have carried out on this property and its results and conclusions.

Full marketing commenced on 10 April 2008. At present, therefore, the property has been available for just over **36 months**.

The property has been vacant since March 2009, a period of just over **24 months**.

Background

The University and College Union was formed by the merger of NATFHE and AUT. 27 Britannia Street had been the headquarters of NATFHE since around 1999 while AUT was headquartered at 29-31 Tavistock Place, WC1.

Neither of the existing two properties was suitable for the long term national headquarters of UCU. Keningtons was instructed to seek and acquire a new more modern headquarters for UCU, and market for sale the existing properties at 27 Britannia Street and 29-31 Tavistock Place.

UCU Requirements

UCU considered a wide range of parameters for its office accommodation.

The national office was to be located in London for ease of access and public transport. UCU was aiming to accommodate approximately 102 staff in central London.

UCU's aims are to provide staff and members with office accommodation and meeting rooms and other facilities which are appropriate to the aims and objectives of the organisation and at good quality standards.

They are to be in compliance with all statutory and regulatory requirements including DDA and all health and safety matters.

Partners
Jill Howells MRICS
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Simon Ormrod MRICS
Tim Poulston FRICS
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Consultant
Philip Kerr FRICS

Registered address:
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London W1G 8LX

Registered in England and Wales
Registered number: OC301137



They are to provide comfortable good quality and flexible accommodation, which is suitable for the Union's present needs, and for those of the foreseeable future.

There are to be appropriate meeting rooms, kitchen staff facilities, WCs, storage areas, copier rooms and conference room.

Modern fit out and design is considered to be very important. The benefits of open plan vs. cellular layouts were seriously considered including sound attenuation, ventilation, natural light, flexibility, lower fit out costs and improved working environment and communications.

UCU's property at Tavistock Place was too small to accommodate their needs. The sale of 29-31 Tavistock Place WC1 comprised approximately 14,000 sq ft of freehold offices. Keningtons marketed this property for sale during 2008 and a sale completed in December 2008.

15-27 Britannia Street provided almost none of the features required by UCU.

15-27 Britannia Street: Reasons for Sale

The reasons for Britannia Street being unsuitable for UCU can be summarised as follows:

- a. The location, although close to Kings Cross public transport and Gray's Inn Road, is a backland location and not a core office site.
- b. The building is a conversion of what was previously a bottling plant with the addition of a top floor in the 1970s. The layout is on four floors and is U-shaped but is essentially linear (long and thin) with no large floor plates, therefore unsuitable for modern requirements.
- c. The facilities were very poor:
- d. Only one lift. Otherwise the upper floors have to be accessed by stairs, narrow corridors.
- e. The area is disjointed and on different levels connected by staircases,
- f. There is no comfort cooling except in a few individual rooms.
- g. There is an insufficient number of WCs.
- h. The layout and configuration is entirely unsuited to the provision and supply of new technology, cabling etc.
- i. The age and configuration of the building meant that maintenance liabilities are considerably higher than a typical modern building of the same size.
- j. Energy efficiency is very poor, due to an old central heating system and buildings of a type that have very poor insulation.
- k. There is no practical or economic justification for upgrading or modernising this building for modern office use. Any refurbishment of the building will be completely uneconomic because it would not improve the linear configuration, the change in levels, or the generally inefficient nature and layout of the premises.

**UCU Acquisition and Relocation to Carlow Street NW1**

A building was identified which suited UCU's occupational requirements going forward, and UCU accordingly acquired the freehold interest with vacant possession of Nelson House, Carlow Street, London NW1 7LH.

This provides approximately 28,100 sq ft net, of newly constructed offices with air conditioning, raised floors, suspended ceilings, disabled access and two passenger lifts.

This purchase was completed in June 2008. After a fit out programme, UCU took occupation in March 2009.

Thus, UCU have remained within the Borough of Camden.



15-27 Britannia Street: Property Summary

a. Location

The location is bounded by Britannia Street to the north, Wicklow Street to the south and the railway line which runs in a cutting which forms the eastern boundary of the site.

Kings Cross railway station is approximately 500m north west and this is also the nearest underground station.

b. Description

The main access is on the corner of Wicklow Street and Britannia Street. 15 Britannia Street has a separate access on the north east corner of the site. There is vehicle access from Britannia Street.

The main buildings date, we understand, from the late 19th century and part of the northern and southern elevations had an additional storey added in the 1970s. There are a number of different structures on site, all of which adjoin and interconnect. The main building is part two storey part three storey, of brick construction, part steel framed and mainly under flat roofs.

15 Britannia Street is a separate three storey Victorian structure under a pitched roof. To the rear of that building and fronting the railway line is a single storey warehouse building with planning consent for a gallery.

There is a basement at front part of the site which is reasonably dry and is used for storage.

There is a central courtyard area.

We measured the floor area in accordance with the RICS Code of Measuring Practice and summarise the floor areas as follows:

Second floor	965.18 sq m	10,389 sq ft
First floor	928.57 sq m	9,995 sq ft
Mezzanine	67.80 sq m	730 sq ft
Ground floor	1,341.83 sq m	14,444 sq ft
Basement	511.94 sq m	5,511 sq ft
Wicklow Street	75.03 sq m	808 sq ft
Total	3,890.35 sq m	41,877 sq ft net internal



15- 27 Britannia Street: Marketing and Sales

a. Marketing Proposal

On 19 February 2008 Keningtons provided UCU with a marketing proposal, advising that vacant possession be obtained, that legal title be investigated and that further advice be received from Gerald Eve on planning consultancy, and also that an EPC, an asbestos survey and an environmental report be prepared or made available.

Keningtons advised UCU that the likely purchasers would be developers.

We considered it very unlikely that the property would be of interest to any commercial occupiers, due to the many disabilities in the property.

b. Method of Sale

We advised wide marketing to include potential occupiers as well as developers.

UCU required a sale of the property. This was for both operational and financial reasons. They did not want to let the property for income. They are owner occupiers, not property investors. It was not acceptable to offer the property to let in order to try to create an investment property and then a sale.

The property was therefore to be offered for sale and not offered to let.

There was no Quoting Price as such, we invited offers.

c. Instructions

On 10 2008 April UCU instructed Keningtons to proceed with the sale.

d. Brochure

This was finalised and sent to all approximately 300 applicants and clients on Keningtons' marketing lists. This included occupiers, developers and investors.

The brochure was distributed by the direct mail company, Direct Approach, to over 250 occupiers in the central London area. This targeted organisations in the following fields: hotel; medical; dental; hospital; professional; charity; housing; education; government agency; office and hi-tech property occupiers, using the criterion of 50 or more employees.

e. Website

The website www.27britanniastreet.com was launched in April 2008. This provided similar information to that included in the brochure but it also had access to floor plans and a planning report by Gerald Eve. This website stayed online until January 2010. To date there have been 102 hits on the website.

**f. Gerald Eve Planning Report**

This was made available via the website and sent to other parties on request. The report confirmed that the existing use of the premises is Class B1 (offices) with the exception of the ground floor of no.17 Britannia Street which has permission for a gallery/exhibition space falling within Class A1/D1. It also confirmed that the site is located within the Kings Cross Conservation Area and is considered to make a positive contribution to the area. Any potential development would therefore need to be discussed in detail with the London Borough of Camden, and any changes of use would need to be robustly justified. Early pre-application discussions with the London Borough of Camden were strongly advised.

g. Enquiries and Viewings

During April 2008 and May 2008 we had numerous enquiries. 27 separate parties had inspected the property by 12 June 2008. All were developers and none were occupiers.

h. Serious Interest Schedule

This was updated through to 19 May 2008 and has 22 parties listed, most of which had by that time viewed the property.

i. Request for Offers

On 30 May 2008 we wrote to 97 parties including all parties on the Serious Interest Schedule requesting offers be submitted by 13 June 2008.

j. Leading Offers

On 26 June 2008 we prepared a schedule of offers received and reported to UCU (names redacted).

Offer 1 was subject to planning permission for a hotel scheme.

Offer 2 was subject to planning permission for student accommodation.

Offer 3 was also for student accommodation and subject to planning permission.

Offer 4 was also for student accommodation and subject to planning permission.

Offer 5 was intended to combine the application site with the possible redevelopment of the adjacent hospital, and conditional upon a framework agreement with the Royal Free Hampstead Trust. The offer was also based on the purchaser obtaining additional buildings, and on obtaining planning permission for the redevelopment of the combined site.

Offer 6 was from an investor/developer, the end use not being known.

Offer 7 was from a developer, subject to permission for demolition of all existing buildings.

Please note that all offers were from developers.

There were no offers or any interest whatsoever from occupiers seeking to re-use the premises for its existing use.

This is entirely in accord with our expectations and our earlier advice to UCU. It shows that the building is quite unsuitable for occupation in its present form without redevelopment or considerable adaptation.

**Heads of Terms and Action to Date**

Since the Schedule of Offers dated June 2008, the following actions have taken place.

- a. Meetings were held with all leading bidders and Heads of Terms were presented to Oakhurst Properties on 4 July 2008.
- b. Deteriorating conditions in the property market in late 2008 meant that all existing bids were reconsidered and the whole matter was renegotiated. All offer prices were reduced but most buyers withdrew from the market.
- c. The property was not being marketed with a Quoting Price, rather we were inviting offers. Therefore we were able to be sufficiently flexible on price in discussion with any interested party.
- d. Detailed discussions were held with a leading bidder, Kensington and Edinburgh, who were promoting a mixed hotel and student housing redevelopment scheme, and this took place during the period October 2008 to February 2009.
- e. In March 2009 discussions also commenced with Watkin Jones. A decision was made to consider competitively the proposals by Watkin Jones and by Kensington & Edinburgh who, by now, were promoting a 100% hotel scheme on the site.
- f. The Watkin Jones' bid was preferred and then accepted. Their track record and the fact that they are aligned with the University of the Arts, gave the bid credibility. Contracts were exchanged with Watkin Jones in December 2009.
- g. No further offers on the property have been received from this date.

The Open Marketing Process

The University and College Union, as a well-known Trade Union and national membership organisation, demands transparency in its marketing, and its Executive Council requires a recommendation that the property has been widely exposed to the market and that all efforts have been made to maximise the price and other benefits of any sale.

The level of demand received as a result of the marketing, the number of enquiries and inspections, the request for highest and best offers by an informal tender process, and continued competitive negotiations with leading developers were quite sufficient to demonstrate that the property has been fully and openly marketed and that the best conclusion has been reached.

The building has been widely exposed to the market starting in April 2008. Over 300 brochures were sent out by Keningtons, plus over 250 were sent out to potential occupiers by a direct mail company. There were 102 hits on the website.

**Conclusions from Marketing Activity**

This report outlines the background for 15-27 Britannia Street being unsuitable for the future national Headquarters of UCU, and therefore the reason why it has been marketed for sale. It outlines the marketing activity carried out from 10 April 2008.

We can confirm the following

- a) Since the property was put on the market on 10 April 2008 (**just over 36 months**) there has been no demand from occupiers for the property either in whole or in part.
- b) The only interest has been from developers seeking redevelopment and change of use.
- c) We conclude that 15-27 Britannia Street is not suitable in its current form for sale for use as offices and there is no demand for such use. The reasons for this are the same as the UCU reasons for sale listed above.

Yours faithfully

Tim R Poulston

Partner

For and on behalf of Keningtons LLP

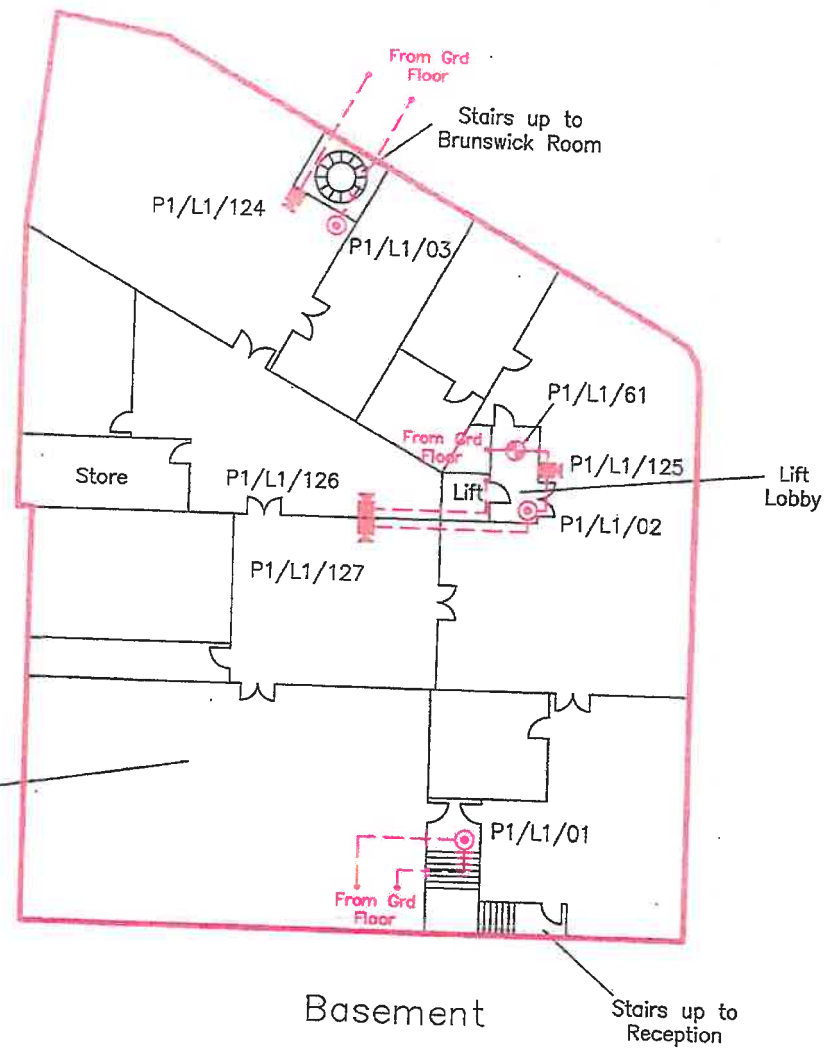
E-mail: timpoulston@keningtons.com



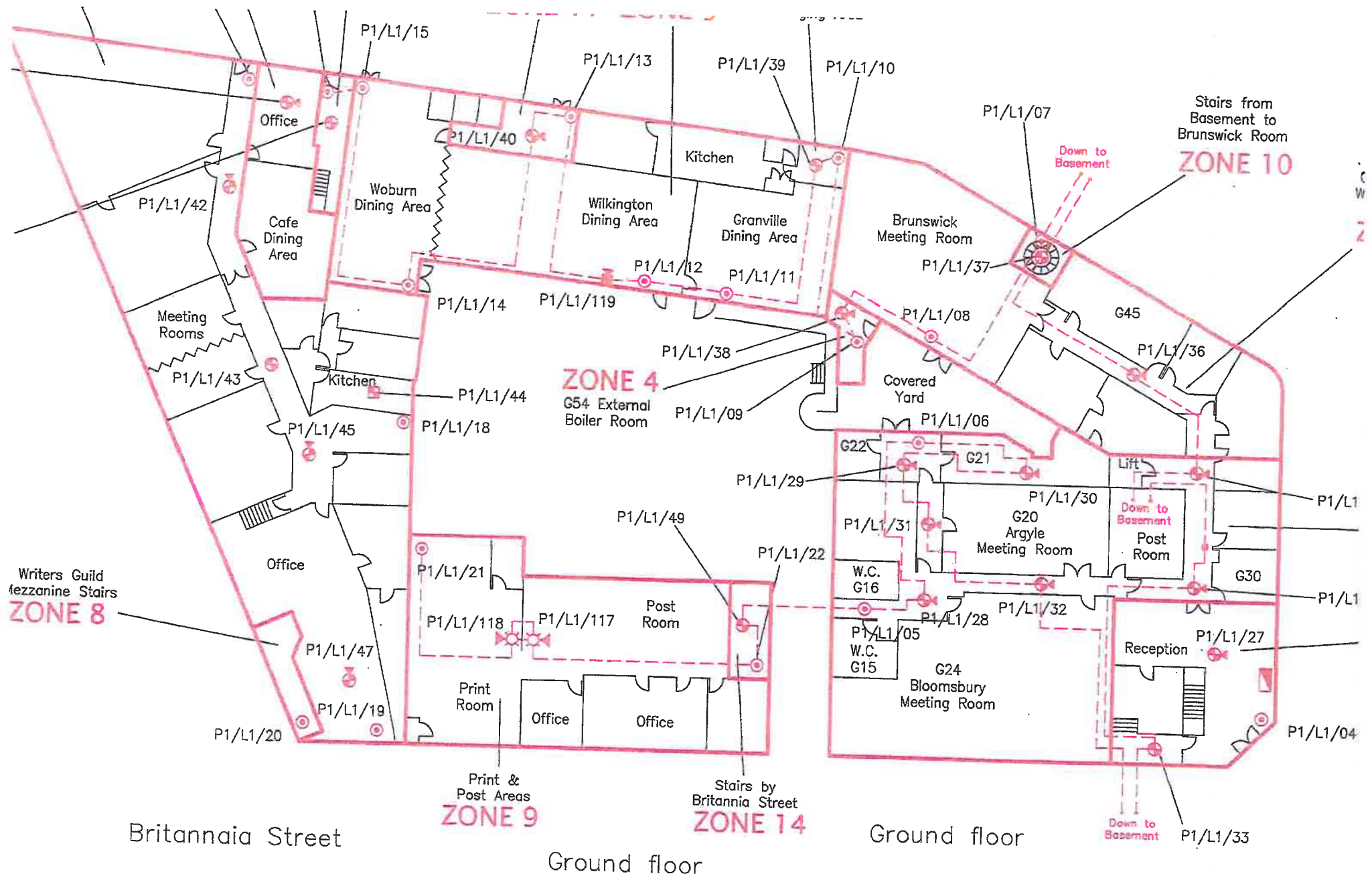
APPENDIX I

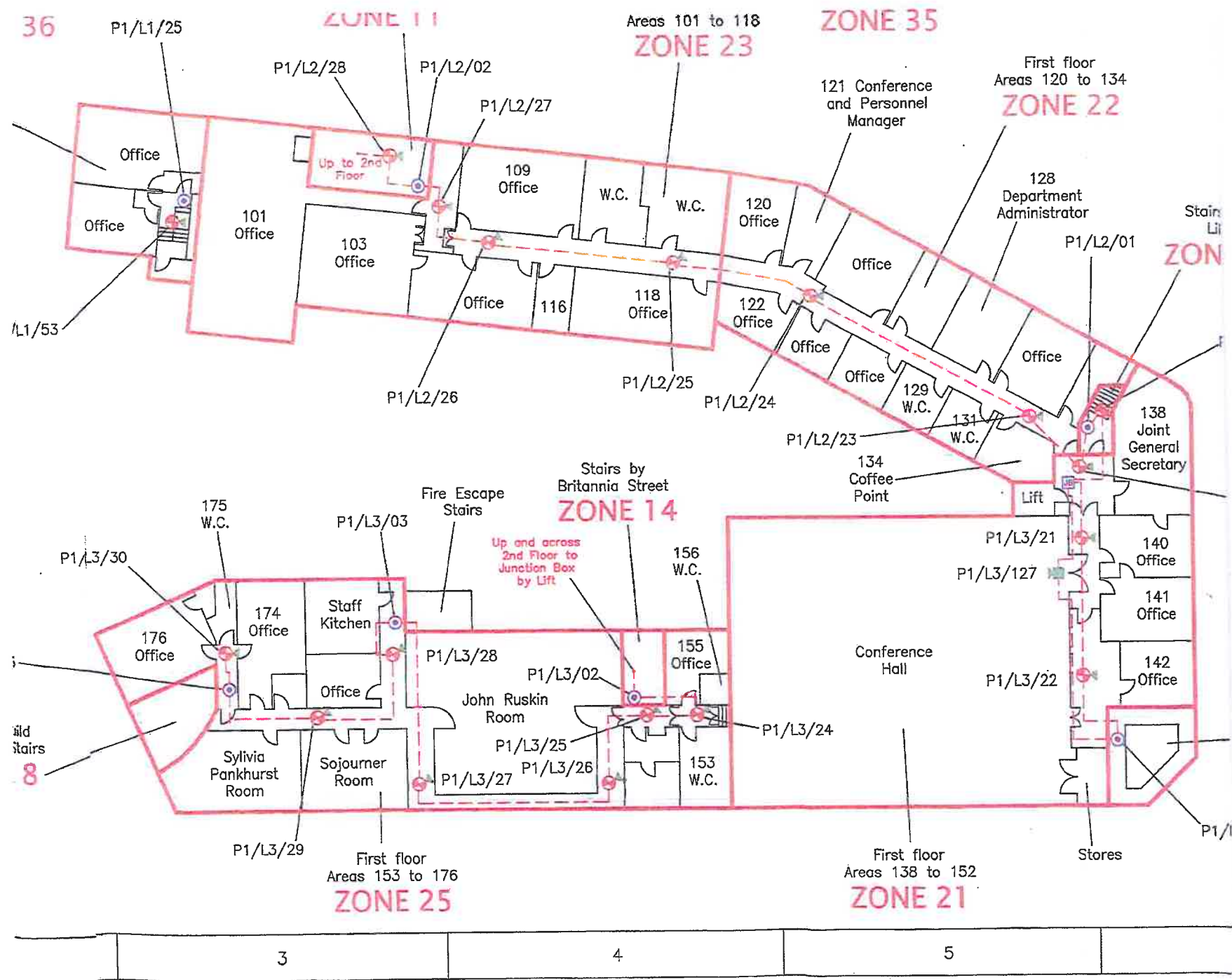
Floor Plans

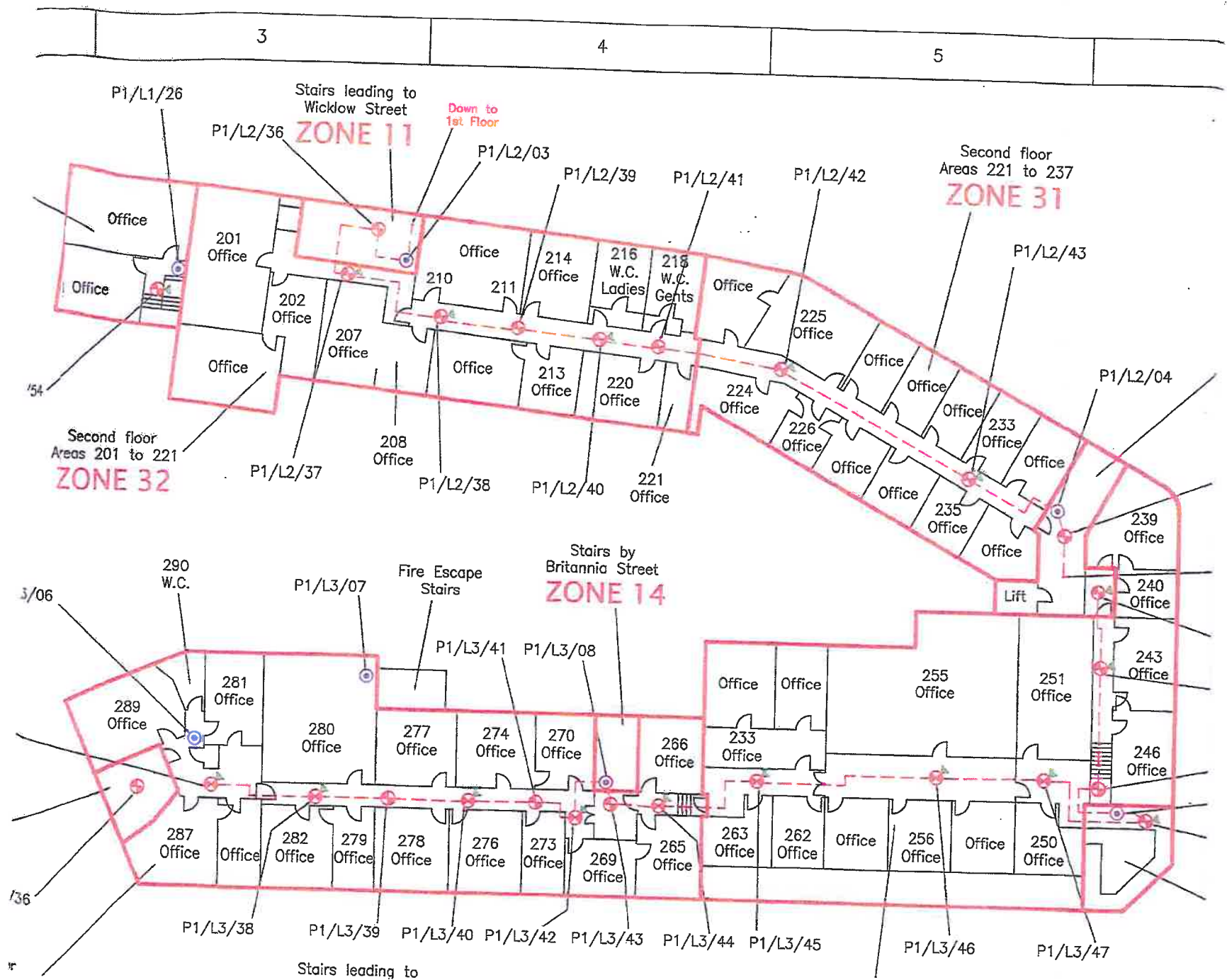
Basement Area
ZONE 41



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APPENDIX II

Brochure

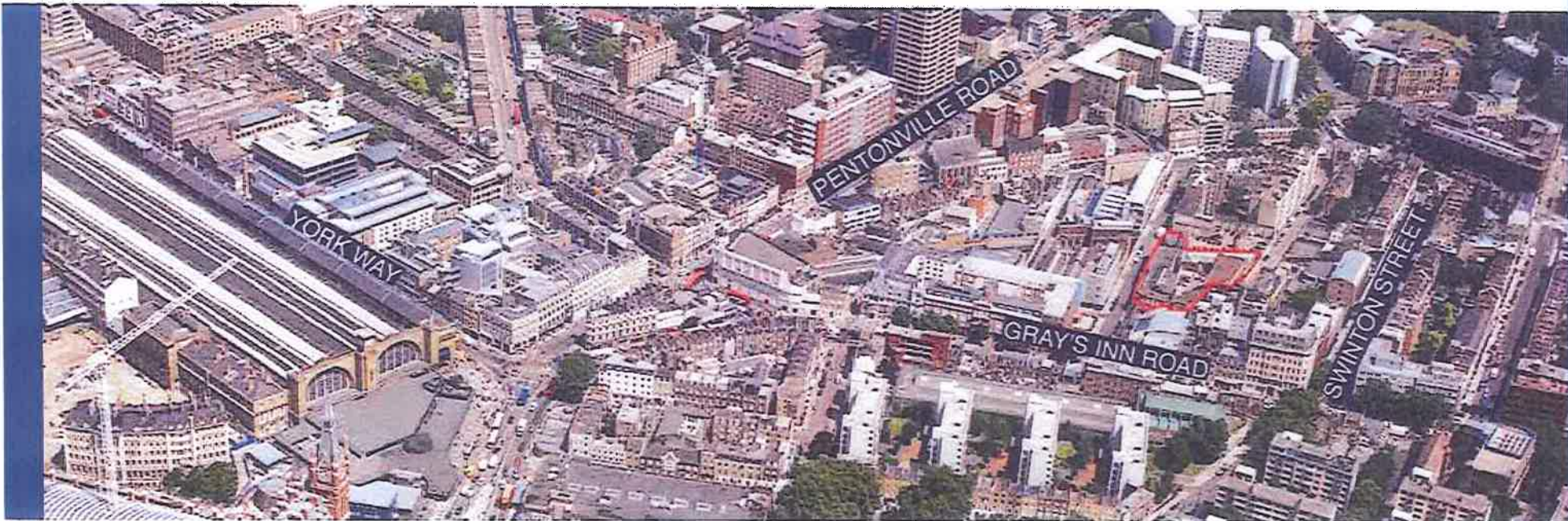
27

BRITANNIA STREET

London WC1X 9JP



Major Freehold Development Opportunity
www.27britanniastreet.com



LOCATION

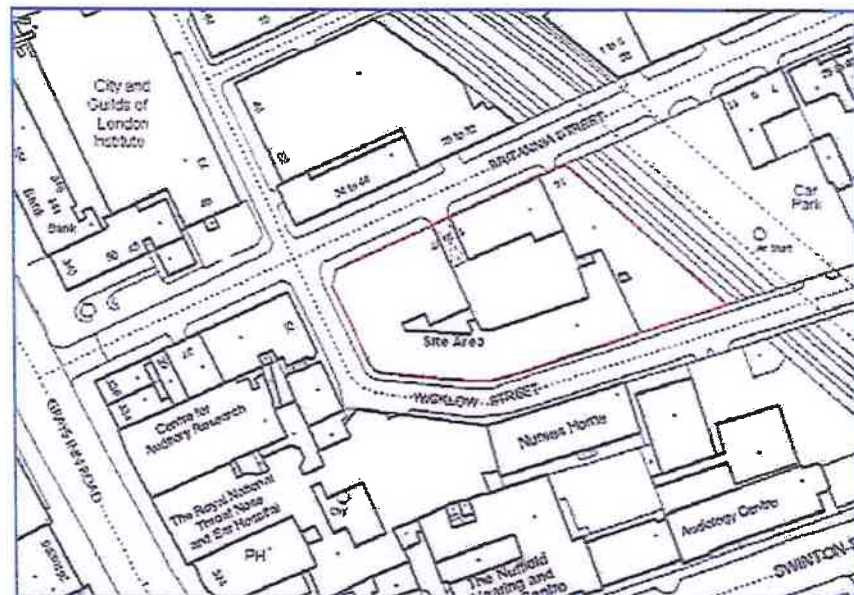
- Strategically located in close proximity to Kings Cross St Pancras
 - Situated towards north end of Gray's Inn Road
 - Within Kings Cross St Pancras conservation area

OPPORTUNITY

- Island site suitable for redevelopment or refurbishment subject to the necessary consents
 - Substantially vacant upon completion

DESCRIPTION

- The site comprises a number of interconnected buildings with a courtyard/parking area
 - Current uses include offices and an art gallery
 - Island site measuring 0.57 acres



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27 Britannia Street, London WC1X 9JP
www.27britanniastreet.com



SITE AREA

The property occupies a site area of approximately 0.23 hectares (0.57 acres)

ACCOMMODATION

According to our measurements the property has the following approximate net internal floor areas:

Floor	Use	Sq m	Sq ft
Second Floor Total	Offices	965.18	10,389
First Floor Total	Offices/Conference Hall	928.57	9,995
Mezzanine	Writers Guild	67.80	730
Ground Floor	Offices	868.43	9,348
	Art gallery/Exhibition Space (B1/D1)	400.48	4,311
	Reception	72.92	785
Ground Floor Total		1,341.83	14,444
Basement	Storage	511.94	5,511
Wicklow Street	Residential	75.03	808
TOTAL		3,890.35	41,877

These measurements are in accordance with the RICS Code of Measuring Practice

PLANNING

Please refer to the Planning Report at www.27britanniastreet.com

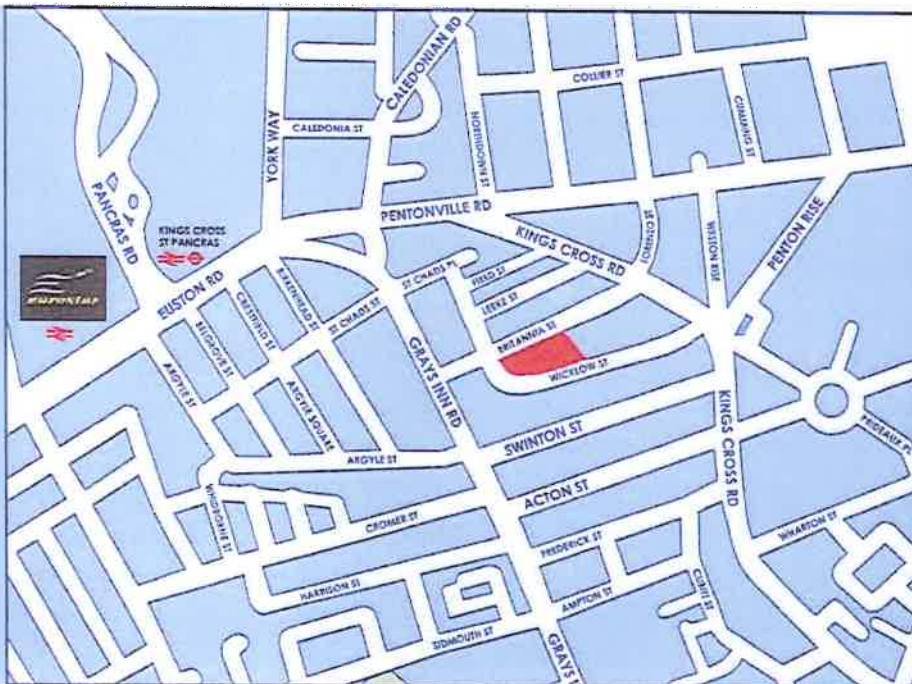
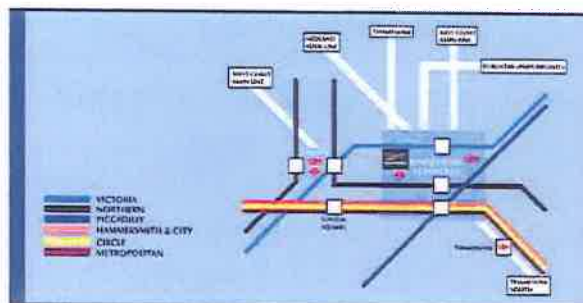
Camden Council: 020 7278 4444

TENANCY SCHEDULE

The majority of the property is owner occupied; however the sale will be subject to the following tenancies:

Tenant	Term (Yrs)	Lease Start	Lease Expiry	Area (Sq ft)	Rent (£)	Comment
The Writers Guild of Great Britain	10	01/04/2002	31/03/2012	730	18,000	Rent review from 31/03/2007 not settled
The Writers Guild of Great Britain	3	13/06/2005	12/06/2008	4,311	40,000	Upon assignment from Rove Projects LLP
Stop the War	Licence		31/12/2007	196	2,400	Tenant currently holding over. Rent is paid monthly





COMMUNICATIONS

6 underground lines

Eurostar connects London to Brussels (130 minutes) and Paris (135 minutes)

Numerous bus routes to the West End, Midtown and the City

Euston Road connects to the City to the East and the Westway (A40) to the West

All 5 London airports are accessible by train within an hour

TENURE

Freehold

VAT

The property has not been elected for VAT

PROPOSAL

Offers are invited for the freehold interest



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MISDESCRIPTIONS

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May 2008