

**7 UPPER ST MARTINS  
LANE  
LONDON  
WC2H 9DL**

**September 2011**

**Stuart Prior  
BSc MRICS**

**Agency Report**

**Matthews  
& Goodman**

Property Advisers

## **AGENCY REPORT ON 7 UPPER ST MARTINS LANE, LONDON WC2H 9DL**

**September 2011.**

### **1.0 INTRODUCTION**

Matthews and Goodman have been instructed to prepare a report responding to Policy DP13 of the Council's adopted Core Strategy. This report sets out an assessment of the property in terms of its relative attractiveness to B1 occupiers, a review of demand for units of the size provided and information relating to the marketing of the premises in 2010 and 2011.

### **2.0 EXECUTIVE SUMMARY**

Matthews and Goodman have assessed the quality of the property in its existing layout for office use and reviewed the prospective demand for the accommodation as offices and other B1 uses. We have also assessed the marketing campaigns for the property in 2010 and 2011. Based on this, it is our opinion that occupational demand for the upper parts of the building for B1 use is poor based on the quality and configuration of the accommodation. This has been borne out by two independent marketing campaigns in 2010 and 2011. Currently there is a good availability of alternative office suites in the Covent Garden area, typically offering materially better accommodation than 7 Upper St Martins Lane.

### **3.0 MATTHEWS AND GOODMAN LLP**

Matthews and Goodman are actively engaged in the Central London office leasing market and have been operating in the sector for over 30 years. We have offices based in the West End (Dorland House, 14/16 Regent Street, London SW1Y 4PH) and in the City (21 Ironmonger Lane, London EC2V 8EY). We have teams of agents in each office actively acquiring and letting office space across the spectrum in terms of size and quality. The Covent Garden area is covered by the West End team.

### **4.0 THE PROPERTY**

The subject property comprises 513.5 sq m (5,527 sq ft) of accommodation set out on seven floors with an established use of A1/A2 Retail on the ground floor and basement and B1 office use on the upper floors. The property benefits from a single passenger lift serving all floors. Internally the accommodation has raised floors to the ground and the upper floors, and a comfort cooling system serves all areas. The space is decorated to a reasonable standard and there are single glazed timber windows at all levels. The office accommodation has single aspect natural light only.

### **5.0 OCCUPATIONAL DEMAND FOR B1a / OFFICES 7 UPPER ST MARTINS LANE**

5.1 Accessible Central London locations of the quality of the subject property are always perceived as popular for office occupiers. The area comprises an attractive mix of offices, shops, and leisure activities and benefits from good public transport links by train, tube and bus.

5.2 Current working practice favours office space being open plan, allowing a better interaction between people in the work environment. This facilitates greater engagement between colleagues within a team and between teams in any company. Considerable research has been undertaken which supports the fact that there is improved productivity of work carried out in an open plan environment in comparison to small cellular office space. Occupiers looking for c500 sq m (5,000 sq ft) of accommodation in Central London will choose to locate ideally on a single floor (or possibly two) in a multi occupied building. Accordingly, 7 Upper St Martins Lane is not likely to be an option to an occupier with a c500 sq m requirement

5.3 As a result of this, the upper floors of the building have been assessed as accommodation to be made available on a floor by floor basis, with floors of 49 sq m – 73 sq m ( 526 -780 sq ft). This scenario assesses the space assuming a ground floor access from Upper St Martins Lane, and use of the reception and lift at the southern end of the building.

5.4 The entrance to the property and reception area is not attractive to office occupiers, given the lack of circulation space and layout. Also, many occupiers are reluctant to occupy office accommodation above retail frontages as this can detract from the image of a professional company.

5.5 The property is made up of two buildings, a thin rectangular building (formerly known as 18 Tower Street) and a wedge shaped building (7 Upper St Martins Lane). The resultant layout is compromised and irregular for office use. The internal layout on each floor is difficult to space plan and inefficient for occupiers.

5.6 The building is not DDA compliant and there are steps to each of the three entrances to the building at street level. The position of the lift is at the southern end of the building whilst the WC is on the northern side. Given the narrow opening in the party wall between the buildings, access across and circulation around each floor is heavily compromised.

5.7 The shape constraints on the floor plate make the space expensive for the number of desks that can be comfortably included on each floor (the cost per desk in rent terms will be uneconomic). The narrowness of the opening in the party wall makes the office space in each building separate despite access into the rectangular building being from the other building. Hence the small floors are further subdivided causing additional issues.

5.8 Experience has demonstrated that companies with an occupational requirement for suites of up to say 100 sq m (1,000 sq ft) have a strong preference for modern, purpose built space, typically contained within a serviced office site or business centre. Usually such centres can offer a range of services such as printing, telephone, secretarial, meeting rooms, refreshments etc. Small suites in such centres can be made available at inclusive rents including service charges and rates, together with a menu of additional extras. These suites can be rented on flexible lease terms allowing occupiers the ability to accurately match their space requirements with their staff numbers / work requirements. 7 Upper St Martins Lane cannot compete with this. It is located in an area of high land values and the building is too small and its shape too awkward to provide any real flexibility to an occupier.

5.9 We have identified a large number of buildings offering small suites available in the Covent Garden area at the current time. Typically these offer a broad range of accommodation in quality terms. A selection of current availability is as follows:

- 29-30 Bedford Street – a selection of suites from 900 sq ft plus
- 103 Charing Cross Road – three suites from 594 to 790 sq ft
- 33 Bedford Street 495 sq ft
- 28 Denmark Street – 500 sq ft
- 44 Maiden Lane 648 sq ft
- 84 Kingsway – 720 sq ft

## **6.0 OCCUPATIONAL DEMAND FOR OTHER B1 USES - 7 UPPER ST MARTINS LANE**

6.1. We have also considered the potential use of the upper floors for other B1 Class uses. Demand for such uses in the Centre of London is poor, largely based on viability grounds. It is too expensive to carry out these operations with a Central London cost base.

6.2 Furthermore, we are of the opinion that that any B1b or B1c, R & D or light industrial use would not be appropriate for the subject property. From our experience, occupiers engaged in these wider business uses need proper operational flexibility in terms of layout, use and hours of operation. Furthermore, any of these uses might require some form of extraction / ventilation equipment. Operators need appropriate servicing and delivery facilities which also cannot be provided. All these requirements just cannot be met in a Listed building in a Central London location.

6.3 In addition to this, there is an apartment on the Fifth floor and the amenity of any residential occupier could not be safeguarded within the B1 Classification, other than as B1a offices.

## **7.0 MARKETING BACKGROUND**

The freehold interest in the property has been fully marketed by two independent agencies on separate occasions in 2010 and 2011. Set out below is a summary of the marketing campaigns in each instance. It is clear that despite widespread marketing and advertising in the property press, there has been very weak occupational demand.

### **7.1. Marketing in 2010**

7.1.1 The property was occupied by China Travel Services from approximately 1993 to 2009. This occupier was able to use the ground floor as a travel agency, the basement for meeting rooms and a briefing room and the upper floors as offices. Changes in their business, largely caused by the effect of the internet on the travel business and the recession, combined with growing frustration with the compromises of operating on seven levels caused the company to relocate from the subject property and to split their operations with a larger mixed HQ facility now located at 124 Euston Road, NW1 and a showroom at 112a Shaftesbury Avenue.

7.1.2 China Travel Services marketed the property through Hudsons, a commercial agency practice based in Fitzrovia. We have contacted Stephen Hickey at Hudsons to ask about the marketing process. Hudsons marketed the property with vacant possession in August 2010 quoting offers in excess of £3m (£600 psf). The form of marketing was direct approaches by e-mail to their applicants list and to commercial agents in Central London who deal in the Covent Garden area. We attach, as Appendix 1, a copy of the marketing e-mail. This offers the property as either suitable for office owner occupation or residential conversion.

7.1.3 Over a marketing period of 6-8 weeks a good number of inspections took place. The agent advises that despite their attempts to obtain feedback from potential occupiers, the overwhelming response was all very negative. In contrast, interest from developers considering potential change of use to residential was strong. After a full marketing process, Hudsons advise that they received four or five written bids. With the exception of the end purchaser (who was bidding as an owner occupier), all the other bidders were parties looking to change the use of the property to residential upper parts.

7.1.4 CTS sold the property to ESVI Group in December 2010. ESVI were looking to acquire an administrative office to manage back office functions for their various business activities. ESVI own a 02 Franchise (mobile phones), several Subway Sandwiches franchises and the Dishoom Restaurant at 12 Upper St Martins Lane. ESVI took up partial occupation in early 2011 but found the premises to be unsuitable for their operation given the difficulties of using the space. ESVI have used the space for offices, storage and residential use demonstrating the lack of suitability of the upper floors for office use. The group have now relocated to a retail property on Tottenham Court Road which included a large open plan lower ground floor, benefitting from good levels of natural light.

## **7.2 Marketing in 2011**

7.2.1 ESVI sought to sell the property in 2011, during a time of reasonable market optimism, through Russell Lewis Commercial Property Consultants, also based in Fitzrovia. We have contacted Russell Lewis to review the marketing process. This agent was instructed in February 2011 to seek offers on an unconditional basis from office occupiers. Marketing particulars were prepared and circulated to approximately 475 Central London agents and approximately 150 companies from the agent's database. A copy is included as Appendix 2.

7.2.2. The early marketing campaign resulted in feedback from 30 parties, typically seeking photographs and floor plans, and eight inspections followed, all from developers / investors. Initial offers resulting from this were unacceptable. The agent receives instructions to put three advertisements into the Estates Gazette in March and April and inclusion on the commercial property website Property Link.

7.2.3. The second wave of marketing results in 30 + enquiries and a further 10 viewings. Two further offers are made from property investment / developers both at unacceptable levels. Marketing continues into May, when an offer from Angle was eventually accepted. During the due diligence period, Angle become concerned as to the layout of the accommodation and seek to make completion conditional on planning. The vendor was not prepared to proceed on this basis, and instructs Russell Lewis to re-market the property. A copy of the revised sales details is included as Appendix Three. This round of marketing continues through June and July.

7.2.4 The remarketing exercise was based on e-mail marketing to commercial agents and all the parties who had previously expressed interest. A further eleven viewings are arranged, all from property investment and development companies. There was no occupier interest. The vendor decided to re-issue the contract to Angle and exchange of contracts took place in August 2011.

7.2.5. At the outset Russell Lewis advised the vendor that interest was likely to come from a mix of owner occupiers and investors. Despite a good number of viewings by potentially interested parties between February and July, there was very poor subsequent interest from occupiers because of the floor layout and configuration of the space. After extensive marketing, it became evident that there was demonstrable interest from developers looking to convert the upper floors to residential use, but not for office occupation. Despite a preference to sell to an owner occupier, the level of interest was insufficient to obtain an offer.

## **8.0 CONCLUSION**

Based on the above, we have concluded that despite good overall levels of occupational demand in the West End office market during 2010 and 2011, there is very limited genuine occupational demand for the subject property. As a result of this, a change of use of the upper parts from B1 to residential appears a logical next step into maximising the benefit and occupation of this Listed building.

For further information, please contact the writer, Stuart Prior.

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# **APPENDIX ONE**

**MARKETING DETAILS FROM AUGUST 2010**

**HUDSONS ACTING FOR CHINA TRAVEL SERVICES**

**From:** Stephen Hickey  
**Sent:** 04 August 2010 15:31  
**Subject:** off market freehold instruction in prime covent garden

Hi

I have been instructed to sell a building of circa 5,000 sq ft in covent garden, London, wc2 and I thought you would appreciate prior notification of it before we commence our marketing process in the next couple of weeks.

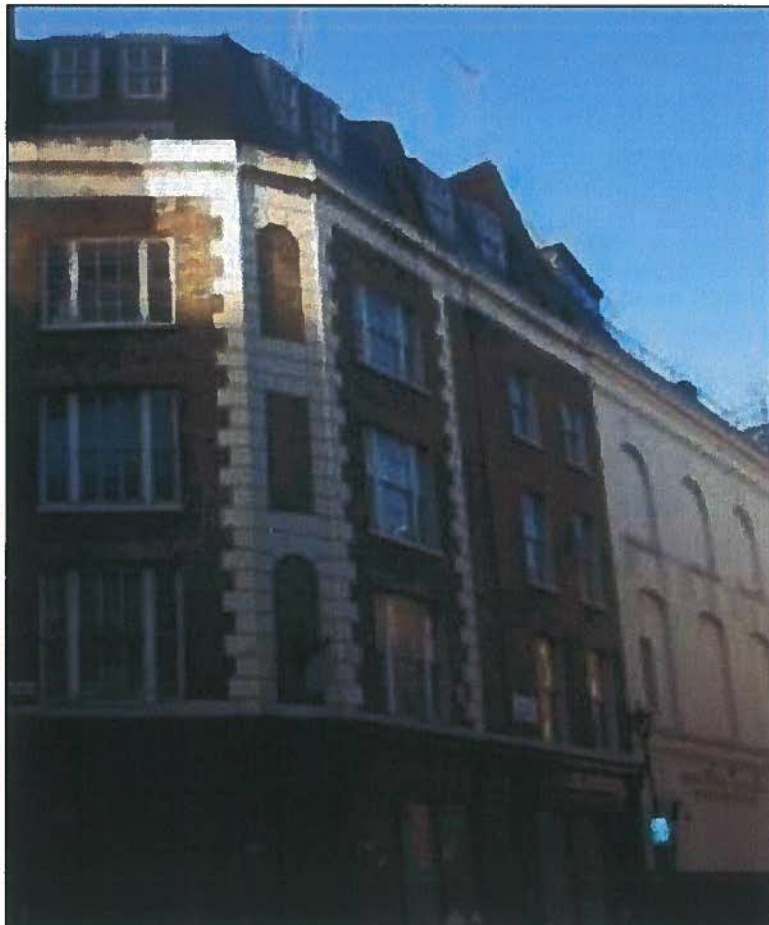
The building has floorplates of circa 700 sq ft – each floor has its own wc – the building is over basement to 4<sup>th</sup> floors

There are 2 stairwells and a lift and the building would make a good residential conversion or would also suit an owner occupier or investor alike.

The premises are competitively priced at £600 psf (although we expect to achieve greater than this figure)

I am retained on this property therefore there are no fees payable to Hudsons.

The building has the below amenities:



- New Cooling and heating
- Perimeter sockets and underfloor trunking
- Kitchen
- Good natural light and newly re-decorated
- Video entry system
- Passenger lift
- Secondary glazing

Please feel free to contact me if you require any further info.

Kind regards

Stephen Hickey

Hudsons Commercial

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24 Charlotte Street  
WIT 2ND  
T: 020 7631 8706  
M: 07891 061954  
[www.hudsonsproperty.com](http://www.hudsonsproperty.com)

**SAVE PAPER - PLEASE THINK BEFORE YOU PRINT!**

Private and Confidential: This email may contain privileged / confidential information and is intended for the addressee only.



## **APPENDIX TWO**

**MARKETING DETAILS FROM FEBRUARY 2011**

**RUSSELL LEWIS PROPERTY CONSULTANTS ACTING FOR ESVI LIMITED**

COMMERCIAL/RESIDENTIAL REFURBISHMENT OPPORTUNITY (s.t.p.)

at

UPPER ST MARTINS LANE, LONDON, WC2

The building occupies a bold 0.06 acre site on the junction of Upper St Martins Lane and Tower Street, having the benefit of 75' of Frontage in one of London's most sought after locations.

The existing 5,337 sq. building is planned over Lower Ground – 5<sup>th</sup> Floors, as follows:

Ground 939 sq. ft. (833 sq. ft. ITZA)

Basement 831 sq. ft.

1<sup>st</sup> - 780 sq.ft.

2<sup>nd</sup> - 780 sq.ft.

3<sup>rd</sup> - 780 sq. ft.

4<sup>th</sup> - 701 sq. ft.

5<sup>th</sup> - 526 sq.ft.

\*\* There is the possibility of delivering Floors 1 – 5 subject to a new lease/s, in whole or part at £40 sq. ft. \*\*.Further details upon application.

PRICE – Offers in excess of £4m subject to contract and perceived income if required. Our clients may also entertain a subject to planning deal in respect of all or part of the building if a prospective purchaser requires a change of the current use/s.

NB – FROM INFORMAL DISCUSSIONS WITH THE LOCAL AUTHORITY IT WOULD SEEM a 1,2 and PENTHOUSE RESIDENTIAL PLANNING APPLICATION WOULD BE FAVOURABLY VIEWED

CONTACT – For further information or an appointment to inspect please contact RUSSELL LEWIS via [russell@russelllewis.co.uk](mailto:russell@russelllewis.co.uk) 020 89531412 or 07768007474

# **APPENDIX THREE**

**AMENDED MARKETING DETAILS FROM JUNE 2011**

**RUSSELL LEWIS PROPERTY CONSULTANTS ACTING FOR ESVI LIMITED**

AVAILABLE TO PURCHASE ON AN UNCONDITIONAL (preferred) OR CONDITIONAL BASIS  
REFURBISHMENT OPPORTUNITY OR SUITABLE FOR OWNER OCCUPATION

7 UPPER ST MARTINS LANE, LONDON, WC2

This existing B1 building occupies a bold 0.06 acre site on the junctions of Upper St Martins Lane and Tower Street, having the benefit of 75' of window frontage. The multitude of attractions of Covent Garden and Leicester Square are within and close proximity.

Although a Grade II Listed building we are of the opinion that the Local Authority will be in favour of a sympathetic refurbishment to provide an A1/A2/B1 use on Ground Floor and Basement with a residential scheme above

The 6,000sq.ft. over Lower Ground to 5<sup>th</sup> floors offers the following approximate gross floor areas:

939 sq. ft. (833 sq. ft. ITZA.....Estimated rental value of £75,000pax. once self-contained with the 831 sq. ft. Lower Ground Floor

930 sq. ft. First Floor

930 sq. ft. Second Floor

930 sq. ft. Third Floor

745 sq. ft. Fourth Floor

635 sq. ft. Fifth Floor

\*\* Potential Roof Terrace

CONSIDERATION: We envisage obtaining offers in the region of £4m on a conditional basis and in excess of £3.5m on an unconditional (other than contract) basis

NB – From informal discussions with the Local Authority it would appear a one/two Flat scheme + Penthouse with Roof Terrace would be favourably met – We are of the opinion that “end values” will exceed £1000 sq. ft. for flats and £1200 sq. ft. for a Penthouse.

FURTHER DETAIL via Russell Lewis

[russell@russelllewis.co.uk](mailto:russell@russelllewis.co.uk)

or

07768 007 474