
Research report in respect of:

**62-66 HUNTLEY STREET, WC1: Commercial Property
Assessment**

Prepared for CLIC Sargent



20 Grosvenor Hill
London
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March 2009

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Executive Summary

- This report is an update of one provided to CLIC Sargent in April 2007. The original report provide two years ago is still the within the main body of this update. Section 4 presents the updated analysis completed at the end of March 2009.
- The key aspect of this updated report is that the conclusions reached in April 2007 are still true today.
- Savills Research has reviewed the commercial property options within the search area again, including parts of W1 and WC1. This includes retail, office and industrial.
- A comprehensive review of the search area has found a limited number of potential opportunities to provide hostel-type accommodation, but all properties have been dismissed.
- There are no commercial property options within the search area that could potentially satisfy CLIC Sargent's requirements without substantial capital being invested in terms of purchasing a commercial property and completing the appropriate level of development and/or refurbishment.
- The specific requirement is that the hostel is economically viable and within close proximity of University College London Hospital (UCLH). A major factor in suitability is the proximity to UCLH; hence the 500 metre search area outlined within Figure 3.1 on page 6.
- On the basis of the evidence, including that provided by Nathaniel Lichfield and Partners, 62-66 Huntley Street is the only viable option for CLIC Sargent in the provision of Home from Home accommodation.

1. Introduction

Despite a review of all commercial property options, this report presents the current office provision in a search area defined as 500 metres from 62-66 Huntley Street, London, WC1. This report only presents potential office (B1a) property options within this search area as it is the only use class that may satisfy a requirement in attaining 530 sq m (5,700 sq ft) of property to provide hostel-type accommodation for CLIC Sargent.

The specific requirement is that the hostel is economically viable and within close proximity of University College London Hospital (UCLH). A major factor in suitability is the proximity to UCLH; hence the 500 metre search area outlined within Figure 3.1 on page 6.

As this report covers the core commercial property markets, the information contained within this document complements the report by Nathaniel Lichfield and Partners on the residential market and sites within the London Borough of Camden Unitary Development Plan (adopted June 2006).

Overall, this assessment of the office market must be placed within the context of current policy, e.g. policy E2 of the UDP. The policy clearly states that (Savills underlining):

"When a site is not suitable for continuation of any business use other than B1(a) offices, as an exception to the general approach, the Council may allow a change to other uses"

This policy may limit the potential for offices to provide a suitable option, but the rationale for looking at offices is the fact that the existing fabric of the building can be utilised and that the search area has substantial office content.

Light industrial (B1c) and distribution (B8) sites would require a new building, which would not be economically viable as this would involve a land purchase and a comprehensive development programme. A review of internal and external databases shows that there are no industrial-related options in the search area. The same is also true for the retail market. Retail property is generally ground floor with different ownerships above the premises. Attaining complete control of a building is difficult and costly. Using similar databases to those used for the industrial-related markets, no appropriate properties were found for further assessment.

2. Sources of data and methodology

For both the April 2007 and March 2009 analysis, Savills have reviewed the sites in-line with those factors specified within the Nathaniel Lichfield and Partners report. They are as relevant to commercial office property as residential. They include:

- i) The home must comprise 530 sq m floorspace;
- ii) It should be located within comfortable walking distance of UCLH
- iii) The property must provide (or be easily convertible to enable) disabled access;
- iv) It must provide undisturbed, residential type environment for families occupying the Home;
- v) The property must be economically viable given the charitable nature of its end users;
- vi) There must be no planning/land use constraints, inhibiting the conversion or change of use of the property to form a Home from Home.

The key method for assessment was a desk-based analysis and eventually a visit to the potential sites, on a street-by-street basis. This was originally carried out on 19th April 2007. The most up-to-date analysis was carried out on 26th March 2009.

The key Savills data used for this analysis is a snapshot of what office property is on the market at present. This list provides credible source of properties that are capable of potentially delivering a hostel in the short to medium-term. This provides a list of alternative sites, but they may also have land use conflicts and not conform to current planning policy, e.g. Policy E2. Despite this, Savills have reviewed the sub-market areas in the West End and City of London markets of Fitzrovia and Bloomsbury (classified at North of Oxford Street (East)). This resulted in property being identified with the City of Westminster and the London Borough of Camden. This wide coverage ensured that nothing that sits inside or close to the 500 metre search area would be missed out from the analysis.

Offices provide the most likely option. The comprehensive data compiled by Savills is apparent from the scale of data collected since the early-1990s. For the West End office market, Savills has recorded 57.1 million sq ft (5.3 million sq m) of office space occupied in 5,282 transactions. For the current level of supply, Savills has around 6.7 million sq ft on the database as 506 property options for potential tenants, which includes individual buildings or floors within office buildings. Properties at or over 3,000 sq ft (93 sq m) are included on the database.

In terms of keeping this data up-to-date, Savills review the office property demand and supply schedules on a daily basis. As Savills have been monitoring the office market since the early-1990s they have, over the years, collected comprehensive data sets on the state of the market. This includes details relating to transactions, availability and development opportunities. The data is collected from a variety of sources, the main ones being: other property companies, trade press and particulars. The data is updated on a daily basis and is additionally checked and verified on a monthly basis by contacting all relevant agents.

The data compiled for the 500 metre search area, from the Savills database amounted to just over 1 million sq ft (93,500 sq m) in April 2007. The March 2009 update presented 970,000 sq ft. The floor area in April 2007 was contained within 66 properties of which 12 were under offer to potential occupiers. The March 2009 data comprises 75 properties of which only one is under offer.

Savills, at CLIC Sargent's request, decided to 'cast the net wide' in terms of reviewing any potential office options for satisfying a demand for a HMO or hostel use. Firstly, a 10,000 sq ft (929 sq m) maximum was applied to the properties; this removed 28 office properties in April 2007 and 33 properties in March 2009. At 10,000 sq ft or above, the capital values of these properties and the fact that they are double the size required is justification for this. The rationale for including everything between 1,000 sq ft (93 sq m) and 10,000 sq ft (929 sq m) is that the dearth of suitable sites can be comprehensively illustrated with the facts despite wide search criteria.

The next stage was to narrow down the list for offices within the 500 metre boundary as specified in Figure 3.1 on page 6 and Figure 4.1 on page 9. Additionally, only those office properties that are standalone buildings have been used in the analysis. There are office properties that provide around 5,500 sq ft (as specified for the hostel), but a single floor within an office block is obviously unsuitable. This left five office properties of the initial 66 at the beginning of this analysis in April 2007 and four properties in March 2009.

In April 2007, all five properties could be dismissed, bar one, on the basis of size. The range of sizes for the remaining five properties was between 1,657 sq ft (154 sq m) and 9,585 sq ft (890 sq m). Table 3.1 on page 5 below specifies the floorspace areas. The March 2009 analysis shows a range of 5,164 sq ft (480 sq m) and 9,214 sq ft (856 sq m). Table 4.1 on page 8 specifies the floorspace areas.

The property market has changed markedly since the report completed in April 2007. In 2007, despite the review of the office sites and the conclusion that they were unsuitable, it was also likely that none of them would be for sale. Considering the strength of the Central London office market, at the time, most investors would not sell as they would have struggled to reinvest the proceeds as part of their property investment objectives. As at March 2009, the fall in capital values of the properties has restricted willing sales as investors are unwilling to realise the potential capital value fall of their property.

3. Potential sites and analysis (as at April 2007)

The five identified possibilities in April 2007 were assessed below in Table 3.1 in relation to the six variables applied to the residential analysis carried out by Nathaniel Lichfield and Partners.

- i) The home must comprise 530 sq m floorspace;
- ii) It should be located within comfortable walking distance of UCLH
- iii) The property must provide (or be easily convertible to enable) disabled access;
- iv) It must provide undisturbed, residential type environment for families occupying the Home;
- v) The property must be economically viable given the charitable nature of its end users;
- vi) There must be no planning/land use constraints, inhibiting the conversion or change of use of the property to form a Home from Home.

Savills suggested that size and economic viability (i and v) are key variables – this is still true today. Failing either of these would result in any site being excluded as an option. As shown in Table 3.1 below, all five sites failed on one or both of these 'overriding' variables.

Table 3.1 Assessment of the potential office sites for the six variables

Map Reference	Address	Floorspace (net)	Meet (i)?	Meet (ii)?	Meet (iii)?	Meet (iv)?	Meet (v)?	Meet (vi)?	Overriding variable(s) failed and reason
1	39 Store Street, WC1	1,657 sq ft / 154 sq m	No	Yes	Yes	No	Yes	Yes	(i) – too small
2	9 Gower Street, WC1	2,328 sq ft / 216 sq m	No	Yes	Yes	Yes	Yes	Yes	(i) – too small
3	2-3 Scala Street, W1	3,150 sq ft / 293 sq m	No	Yes	Yes	Yes	No	Yes	(i) – too small (v) – economically unviable
4	Tavistock House, Tavistock Square, WC1	6,142 sq ft / 571 sq m	Yes	Yes	Yes	No	No	Yes	(v) – economically unviable
5	County House, Conway Mews, W1	9,585 sq ft / 890 sq m	No	Yes	Yes	No	No	Yes	(i) – too large (v) – economically unviable

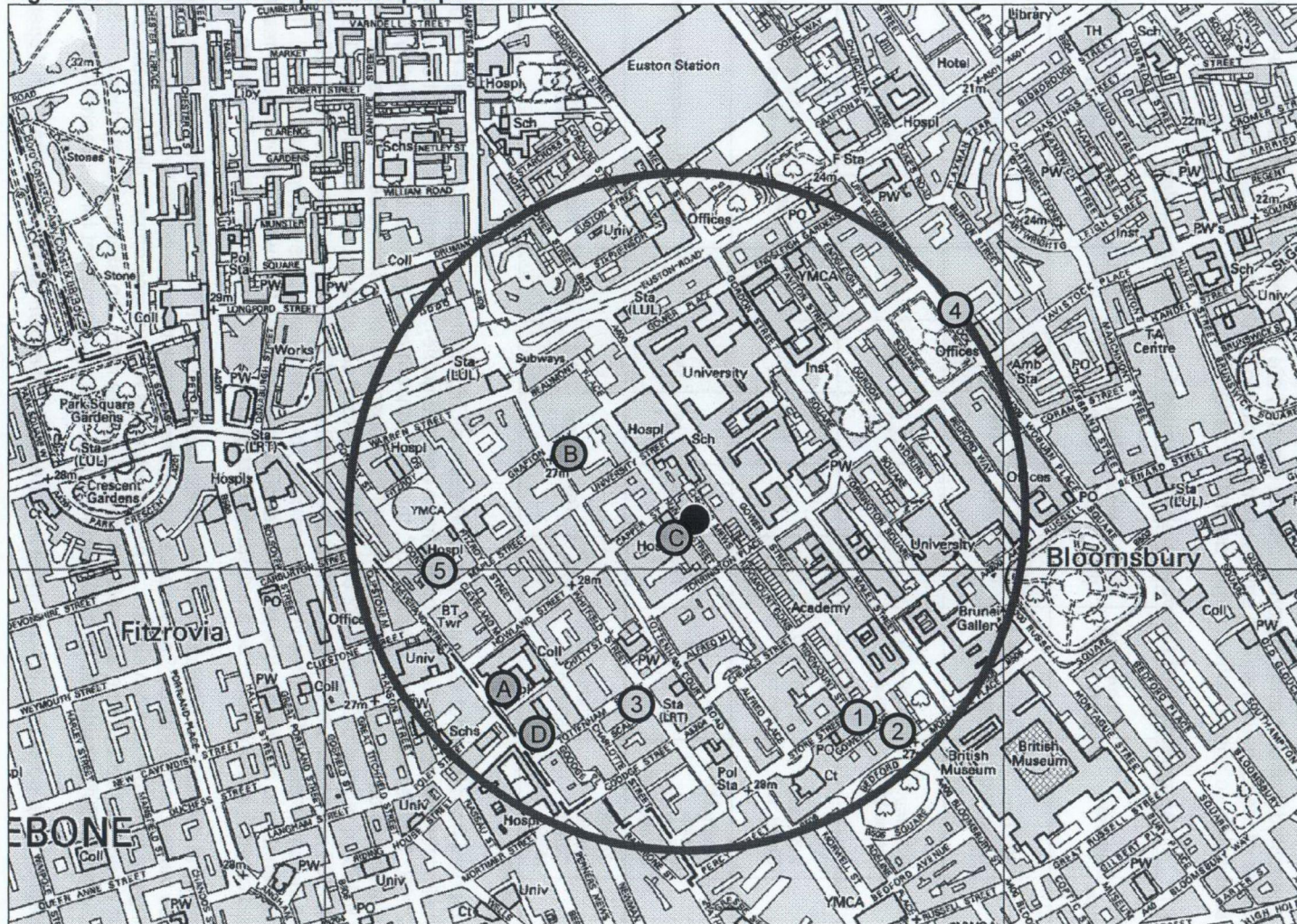
Source: Savills

It also appears from the brief review of the UDP sites, as highlighted in Figure 3.1 on page 6, that they were all allocated for residential use (both private and affordable). UDP analysis was not completed in March 2009. Savills suggested in April 2007, that any concern over the loss of 62-66 Huntley Street for residential should be placed within the context of the substantial provision to be developed on the site area of 9,466 sq m (approximately 102,000 sq ft). This total site area figure is only for those UDP sites within the 500 m search area. Savills estimate an additional 11,661 sq m (approximately 126,000 sq ft) site area in surrounding UDP sites in close proximity, but just outside, the 500 m search area. The UDP sites are planning to deliver a much higher level of housing on sites that were not previously residential. It was indicated that there would be a substantial net gain for the London Borough of Camden.

Additionally, at the time, a discussion with a private local landlord in the Fitzrovia market area suggested that office values, in the Fitzroy Square area, for example, have become prohibitively expensive for a wide range of investors and developers. The opportunities to purchase office buildings in this area are rare, but when they do become available quoting values are high. An example offered was 34-35 Fitzroy Square, which is 50% residential and 50% educational, was on the market for between £8-10 million.

Photographs of the potential sites are listed in Appendix I. The UDP sites are illustrated in Appendix II.

Figure 3.1 Location of potential properties and sites



Source: Savills

<u>Potential Office Property</u>	
1	39 Store Street, WC1
2	9 Gower Street, WC1
3	2-3 Scala Street, W1
4	Tavistock House, Tavistock Square, WC1
5	County House, Conway Mews, W1
<u>UDP sites</u>	
A	Former Middlesex Hospital annexe, Cleveland Street, W1
B	Grafton Way, Odeon Cinema site, W1
C	Huntley Street, Elizabeth Garrett Anderson & Obstetrics Hospital, WC1
D	44-50 Tottenham Street, Arthur Stanley House, W1

Red circle represents the 500 metres from UCLH

4. Potential sites and analysis – Update as at March 2009

In line with the methodology adopted in April 2007, four identified possibilities, derived from a review of the current office supply in the target area, have been assessed below in Table 4.1. This analysis has been completed by using the same six variables applied to the residential analysis carried out initially by Nathaniel Lichfield and Partners.

- i) The home must comprise 530 sq m floorspace;
- ii) It should be located within comfortable walking distance of UCLH
- iii) The property must provide (or be easily convertible to enable) disabled access;
- iv) It must provide undisturbed, residential type environment for families occupying the Home;
- v) The property must be economically viable given the charitable nature of its end users;
- vi) There must be no planning/land use constraints, inhibiting the conversion or change of use of the property to form a Home from Home.

Savills would still suggest that size and economic viability (i and v) are key variables. Failing either of these would result in any site being excluded as an option. As shown in Table 4.1 below, all four sites fail on one or both of these 'overriding' variables.

Table 4.1 Assessment of the potential office sites for the six variables

Map Reference	Address	Floorspace (net)	Meet (i)?	Meet (ii)?	Meet (iii)?	Meet (iv)?	Meet (v)?	Meet (vi)?	Overriding variable(s) failed and reason
6	99 Gower Street, WC1	5,164 sq ft / 480 sq m	No	Yes	Yes	Yes	No	No	(i) – too small (v) – economically unviable
7	1-3 Mortimer Street, W1	6,986 sq ft / 649 sq m	Yes	Yes	Yes	No	No	Yes	(iv) – Not undisturbed environment (v) – economically unviable
8	8 & 9 Bedford Square, WC1	8,185 sq ft / 760 sq m	Yes	Yes	Yes	No	No	No	(iv) – Not undisturbed environment (v) – economically unviable
9	301-305 Euston Road, NW1	9,214 sq ft / 856 sq m	Yes	Yes	Yes	No	No	Yes	(i) – too large (v) – economically unviable

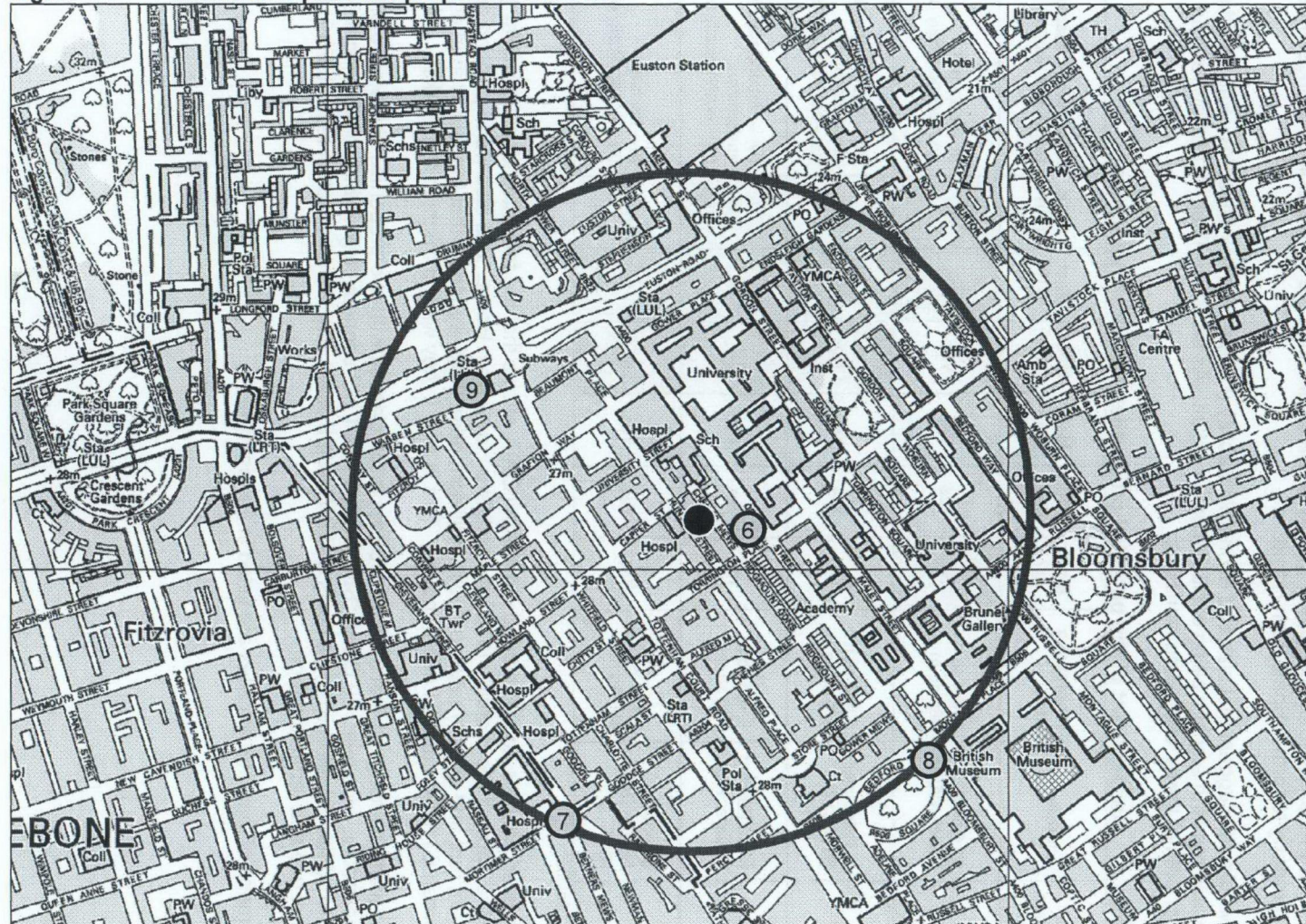
Source: Savills

The repeated analysis, to that carried out in April 2007, shows that the four sites identified all fail to provide the appropriate property to accommodate a Home from Home. It is also worth pointing out that the current rent and an estimation of the prevailing market yield, suggests that the four properties would fall between £3 million and £4 million pound. This is only if they were brought to the market.

It is also worth pointing out that 99 Gower Street is the closest, with two properties at the edge of the 500 metre boundary. However, 99 Gower Street is too small, not economically viable considering the likely value and additional refurbishment costs and is Grade II listed, which may result in restrictions in the change of use and refurbishment.

Photographs of the potential sites are listed in Appendix III.

Figure 4.1 Location of potential properties and sites



<u>Potential Office Property</u>	
6	99 Gower Street, WC1
7	1-3 Mortimer Street, W1
8	8-9 Bedford Square, WC1
9	301-305 Euston Road, NW1

Red circle represents the 500 metres from UCLH

Source: Savills

5. Conclusions

In April 2007, an initial review of the data of available commercial properties presented no obvious options. However, the closest potential options to meet the criteria of providing a hostel were looked at in some detail. The same methodology has been adopted in March 2009. Savills were open-minded in looking at the 'best available' options, which all turned out to be offices. As expected, following the initial review, the number of options had been reduced and eventually all were dismissed.

Based upon the latest analysis, there are still no office options within the search area that could potentially satisfy the CLIC Sargent requirement without substantial capital being invested in terms of purchasing a commercial property and completing an appropriate level of development and/or refurbishment. The costs, even within the prevailing commercial property market, are still prohibitive.

In April 2007, Nathaniel Lichfield and Partners suggested that there were no residential properties that could provide the type and scale of accommodation required. Savills agreed with this. As part of this March 2009 update, Savills Research have been informed by CLIC Sargent that there are still no comparable residential properties within the search zone that would be suitable for CLIC Sargent in terms of type, scale and financial viability. This recent search was completed during March 2009. Savills Research has also checked with an in-house London Residential Valuation surveyor to assess the number of appropriate residential properties within the whole of WC1 using appropriate public and private databases. From this, only one property on Great Percy Street is currently available offering just 3,400 sq ft and on the market at £1.395 million. This property is also approximately 1,500 metres from UCLH and is therefore inappropriate.

Overall, this comprehensive review of the search area has found a limited number of potential office conversion opportunities to provide hostel-type accommodation, but all have been dismissed following closer assessment. On the basis of this evidence and that provided by Nathaniel Lichfield and Partners in 2007, 62-66 Huntley Street is by far the only option available for CLIC Sargent.

Appendix I

Possible existing office buildings for analysis (April 2007)

Property 1

39 Store Street, WC1. 1,657 sq ft / 154 sq m. Pre-War and on 5 floors. Re-furbished in 1999.



Property 4

Tavistock House, Tavistock Square, WC1. 6,142 sq ft / 571 sq m. Pre-War and on 8 floors. Listed.



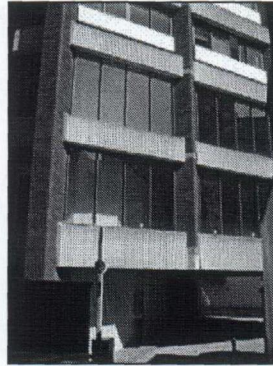
Property 2

9 Gower Street, WC1. 2,328 sq ft / 216 sq m. Pre-War on 5 floors.



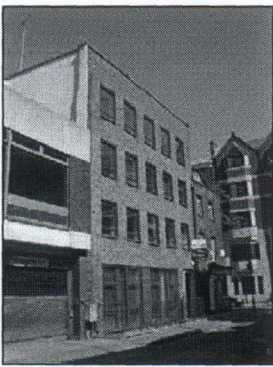
Property 5

County House, Conway Mews, W1. 9,585 sq ft / 890 sq m. Reportedly for sale in 2002 for £5 million. Recent offers much higher.



Property 3

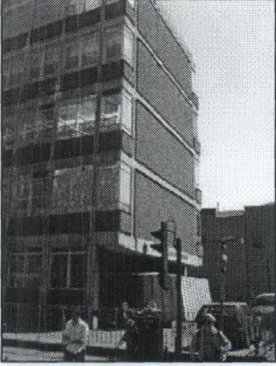

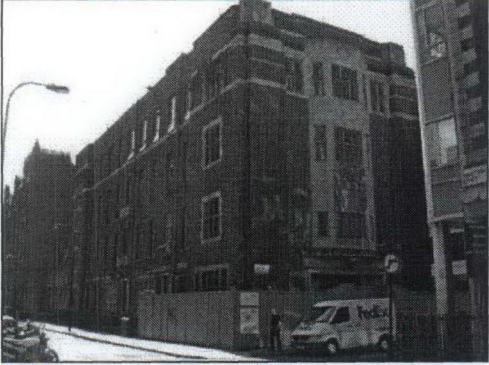
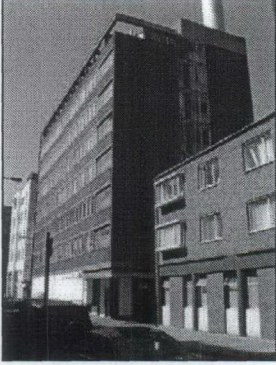
2-3 Scala Street, W1. 3,150 sq ft / 293 sq m. Post-War on 5 floors.



Source: Savills

Appendix II

**Sites from London Borough of Camden's Unitary Development Plan (UDP) – adopted June 2006
(for April 2007 report only)**

<p>Site A</p> <p>Former Middlesex Hospital annexe, Cleveland Street, W1</p> <p>Site 6 in UDP</p>  <p>General area photograph (site behind building to the right)</p>	<p>Site B</p> <p>Grafton Way, Odeon Cinema site, W1</p> <p>Site 17 in UDP</p> 
<p>Site C</p> <p>Huntley Street, Elizabeth Garrett Anderson & Obstetrics Hospital, WC1</p> <p>Site 25 in UDP</p> 	<p>Site D</p> <p>44-50 Tottenham Street, Arthur Stanley House, W1</p> <p>Site 39 in UDP</p> 

Source: Savills / London Borough of Camden

Appendix III

Possible existing office buildings for analysis (March 2009)

Property 6

99 Gower Street, WC1. 5,164 sq ft / 480 sq m. Pre-War and on 5 floors. Grade II listed and second-hand quality.



Property 8

8-9 Bedford Square, WC1. 8,185 sq ft / 760 sq m. Grade I listed and on 4 floors. Second-hand quality.



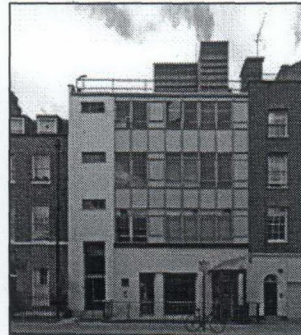
Property 7

1-3 Mortimer Street, W1. 6,986 sq ft / 650 sq m. Pre-War on 4 floors. Current under refurbishment and does not include the ground floor.



Property 9

301-305 Euston Road, NW1. 9,214 sq ft / 856 sq m. Post-War and on 4 floors.



Source: Savills

Reference

London Borough of Camden (2006) Unitary Development Plan, June 2006

Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

As is customary with such reports, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.