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Our Ref: MC/MK

2nd June 2014

E M Pick Planning
30 Golders Manor Drive
London NW11 9HT

Dear Mr Pick

Re: 32-33 HATTON GARDEN, EC1N 8DL

We are instructed by Bank Properties to provide a marketing assessment of the 4th and 6th floor units at above property.

The property has been actively marketed by Goodsir Graham and ourselves since 2011 for B1 office or workshop purposes. We are the managing agents for the above and our board has resulted in enquiries from time to time.

General Description and Situation

The units in question are on the 4th and 6th floors of 32-33 Hatton Garden, and have been available to let for a considerable time. We understand that express planning permission has been granted for residential use on the 5th floor, which is occupied as such.

Condition

The property is a self-contained building arranged over 8 floors. Each of the 4th and 6th floors is well laid out and in a reasonable condition.

We have not undertaken a structural survey of the property but from our inspection the property appears to be in reasonable condition and well maintained.

Suitability for Commercial Purposes

We consider the upper floors of this building to be generally unsuitable for B1 office or workshop purposes for the following reasons:

There are numerous well located and specified offices and this, coupled with lack of occupier demands, leads to the difficulty with granting a lease of the premises.

There is currently a substantial surplus of B1 accommodation available in the locality and surrounding area and this has been the case for some considerable period of time. The situation is very likely to be exacerbated in the future as "hot-desking" and home working, already a well accepted practice, become ever more common.

In terms of the jewellery trade, the provision of demand for workshops has decreased significantly owing to trade with the Far East.

The performance of the B1 office market in this area has been very poor. Not only is there a plethora of space available, but we are aware that many of these premises have been on the market for a considerable time.

We are aware of newly refurbished offices in the area but which have failed to be fully let.

Within the market there has been an increase in lease events and long leases are coming to a conclusion, in our experience existing landlords are offering greater incentives for tenants to remain in their current buildings and therefore larger occupiers that are in the market will mainly be those looking for Grade A space in exceptional locations.

In reality it is very unusual for a company to consider Hatton Garden as a centre for relocation in isolation and will consider surrounding areas. In conducting a business search we find people will generally also consider other locations for such small offices such as the City, Islington, Westminster, Kensington, Southwark and Tower Hamlets, increasing the amount of available competing offices.

Although the building possesses a lift, it is small in size and would not be able to accommodate a wheelchair. Given the statutory need for employers to be able to accommodate employees with disabilities, we conclude that the premises are unsuited for continuing commercial use.

Marketing

We and our client's agents have been marketing the units on the basis of a new lease or short term Licence direct from the landlords.

The units have been marketed on very flexible and economical terms. This included six months and one year deals, all inclusive and a reduction in the quoting rent to ensure that the property appealed to as wide a market as possible.

Goodsir Graham and ourselves have continued the marketing of the property for office or workshop use, and have employed a number of strategies to ensure all areas are covered. A set of particulars has been produced and recirculated every 6 months to both local occupiers and agents. We have marketed the property through regular mailing to all agents, London based and local, through the database services of EACH and through numerous websites, including showcase.co.uk, tower 10.com, and Goodsir Graham's own website.

During the course of the exercise a number of direct mailings to occupiers were undertaken, both in the direct vicinity and in the wider local markets. There has been a marketing board on the premises which is generally one of the best marketing tools.

The agents have also widened the marketing campaign to include other commercial users including medical and education (subject to planning) but this again proved fruitless.

Throughout the marketing process we conducted several viewings with occupiers coming from a variety of business sectors in and out of the area including marketing, recruitment, outsource training, architects and distributors. The building was discounted by each of these parties for a variety of reasons including:

- location
- quality of building
- lack of amenities such as wheelchair facilities

Conclusion

Having regard to both the uncertain state of the office market and the quantity of available accommodation in the Hatton Garden area we consider that the long term future of these units would best be secured by change of use to residential and provide much needed accommodation.

Although there would be a reduction of employment space, it has been evident through extensive marketing that the building does not suit commercial occupiers. In terms of the effect a change of use would have to the surrounding buildings, we consider this to be minimal as there have already been a number of residential consents, notably on the 5th floor of this building and the building directly opposite at 84 Hatton Garden.

The marketing campaign has not generated any serious interest in the building since it was placed on the market in 2011. We see no reason why circumstances will change over the course of the next few years, particularly having regard to the very large surplus of vacant commercial property in the area (details attached) and the amount of secondary stock continually coming to the market.

In view of the above, we believe it would be wrong to leave these premises vacant for an indefinite period of time. The introduction of residential accommodation would be beneficial by taking up unused floor-space, and it would help to boost the local economy. It would also enable workers in the surrounding locality to live near their work without having to use transport.

Yours sincerely

Pp Marcus King & Company LLP



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