

6th June 2014

Rachel Miller
Planning Officer
London Borough of Camden
Town Hall Extension (Environment)
Argyle Street
London
WC1H 8EQ

Dear Rachel

RE: 14 Hatton Wall, London EC1N 8JH

I have been requested by my client Mr Desmond Higgins to provide you with a marketing report in relation to the above property and a prospective planning application I understand he intends to make to change the use of the 1st and 2nd floors of the building from an office/workshop to residential use and that the ground floor and basement area will remain as existing for commercial use.

Jarvis Keller Stephens' Experience in Hatton Garden Area

In addition to the marketing activity we have recently undertaken at 14 Hatton Wall we have also been very active in the immediate vicinity marketing 23-27 Hatton Wall and 96 and 96A Leather Lane.

We commenced marketing 23-27 Hatton Wall, a mixed use retail and B1 building 'to let' in August 2011. We were ultimately unsuccessful and after a very extensive marketing campaign where we did not receive a single credible offer to rent the premises, were instructed to sell the building. A sale of the building eventually completed in April 2013. After the purchase completed, the buyer PPR Estates Limited submitted a planning application for change of use at first floor level from sui generis to residential (Class C3), and erection of a roof extension, including extension at second floor level rear, new third floor level to create an additional storey, in connection with the provision of 2 x 1 bedroom and 3 x 2 bedroom self-contained flats, and alterations to shopfront including new residential entrance. The application was validated on 4th November 2013, but no decision has been made yet by Camden. Revised drawings were submitted in March 2014 and this may explain the delay.

We were also instructed to let nearby retail units 96-96A Leather Lane in May 2012 and we have not been able to let them. We understand the owner of this building is now intending to develop it. The size of the commercial space in the building will be reduced.

Accordingly, my impression of the Hatton Garden jewellery sector as a commercial agent in EC1 is that is now a very niche market, aside from the retail units in the prime Hatton Garden area. In respect of B1 workshop space, we are seeing less and less demand from occupiers who prefer modern, purpose built industrial facilities out of Central London and the Hatton Garden jewellery sector is now in the main only the jewellery shops on Hatton Garden itself, principally in the south end of the street.

14 Hatton Wall

Background to our Instruction

My Firm have dealt with this property for many years having previously acted for the former owner – the Joseph family, a long standing client of my Firm's since the 1980s on their commercial properties in EC1, 14 Hatton Wall being one of them.

Jeffrey Keller FNAEA | Lucy Stephens MNAEA | John Keller ACA

Kelvin Jarvis (consultant)

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The previous owners instructed my Firm to sell the building on 16th May 2011. We went to the market quoting a price of offers in the region of £850,000 which I am satisfied was a market price and by quoting “offers in the region of”, we were demonstrating to the market that the vendor may be prepared to negotiate around this level. The property was marketed as being used as a showroom, offices and workshop and to owner occupiers, investors and developers and a marketing board was placed on the building.

Unfortunately, we were unable to arrange a sale of the property and on the 26th January 2012, we were instructed to also market the property to let by the Josephs. Our marketing board was changed to reflect the property was available to let and for sale.

The vendors were willing to let the whole i.e. the entire building to a single tenant, but also the ground and basement which can be separately accessed to one tenant, with the first and second floors to another tenant. Indeed, I had advised them that the likelihood of finding a single tenant for the whole building was remote for the following reasons:

- Most occupiers requiring 2,000 sq ft do not wish to be spread over 4 small floors and amongst larger space requirements i.e. 1,000 sq ft plus, there is a great preference towards single floor plates.
- It is unlikely that an occupier requiring 2,000 sq ft would need a 500 sq ft shop/showroom with window frontage and 1,500 sq ft of B1 space.
- The upper parts were arranged as workshops, with a reinforced floor, ducting for extraction etc. and so many office occupiers who may have been prepared to occupy would be put off by the prohibitive fit out costs. As pointed out above, the demand for workshop space is very weak.

Accordingly, they were willing to let the ground floor self contained showroom and basement separately from the upper parts and gave me instructions to market the ground floor showroom and basement floor (for £25,000-£30,000 per annum) and the first and second floor workshop/offices for (£20,000-25,000 per annum) quoting rents separately to give a further chance of the building being let even in part. These rental values were market values – a premium being provided to the ground floor due to it having a more valuable A1/retail use with window frontage to the street. Also by providing me with a range that was acceptable to them, I was able to tell interested parties where applicable that the price was negotiable.

In addition we were also instructed by the Josephs to reduce the sale price of the property (to offers in the region of £750,000). At this level, we anticipated a quick sale.

As discussed in further detail below, soon after the price of the property had been reduced to offers in the region of £750,000, a sale was agreed to Desmond Higgins, the current owner. After agreeing terms, Mr Higgins instructed me to continue to market the property for rent as he would look to rent it out once the sale completes. Mr Higgins also instructed me that he would consider letting the upper floors separately so in addition to 2,000 sq ft and 1,000 sq ft requirements, the floors could be marketed towards occupiers seeking 500 sq ft.

Marketing Activity

As set out above, following completion of the sale to Mr Higgins in June 2012, we continued to market the entire building to let, the ground and basement to let together as a self contained unit and the first and second floors to let together as a self contained unit.

However, Mr Higgins also instructed us to market the first and second floors to let independently so we were maximising the potential interest to include 2,000 sq ft, 1,000 sq ft and 500 sq ft occupiers.

A board has remained outside of the property for nearly 3 years advertising the property for sale or to let (since 18th May 2011). In this time, the property has been marketed as follows, and the marketing board has reflected this:

May 2011

- For Sale Offers in the region of £850k

January 2012

- For Sale Offers in the region of £750k, and
- To Let Basement, Ground, First and Second Floors (i.e. 2,000 sq ft) £55,000 per annum, and
- To Let Ground and Basement Floors (i.e. 1,000 sq ft) £30,000 per annum, and
- To Let First and Second Floors (i.e. 1,000 sq ft) £25,000 per annum

June 2012

- To Let Basement, Ground, First and Second Floors (i.e. 2,000 sq ft) £55,000 per annum, and
- To Let Ground and Basement Floors (i.e. 1,000 sq ft) £30,000 per annum*, and
- To Let First and Second Floors (i.e. 1,000 sq ft) £25,000 per annum, and
- To Let First Floor £12,500 per annum, and
- To Let Second Floor £12,500 per annum

*Except for the period when the basement and ground floors were let to Bullion Traders Limited.

We had a strong board presence in the immediate location and all relevant enquires we received on other properties close to 14, Hatton Wall were also sent details of 14 Hatton Wall, yet we have received very little interest in the property and ultimately been unable to let the premises despite having carried out a comprehensive marketing campaign including direct mail shots to our applicant database, erecting a marketing board, listing the property on our website, listing the property on Focus and EGI (Estates Gazette) and marketing the property through the Estate Agents Clearing House. We have continued to list the property as appropriate with all of these sources throughout the period of our marketing and in respect of Focus which is the principal platform agents use to market their properties; we receive monthly calls from our account manager to update all of our properties that we are marketing.

Interest Received

We were not able to find a tenant but were able to introduce a buyer and on the 15th June 2012 a sale was completed to Desmond Higgins, a professional property investor at a price of £725,000.

During the period of negotiations with Mr Higgins, the property remained on the market to let from the time Uri Joseph instructed us on 26th January 2012, as initially there was concern from the Josephs that Mr Higgins would not complete the sale. When it became apparent Mr Higgins would be progressing, as I point out above Mr Higgins instructed me to continue to market the building to let quoting the same terms (it was not until after the sale had completed to Mr Higgins that he instructed me to also market the first and second floors separately quoting £12,500 per annum per floor), as upon completing the sale he would be seeking to rent the building out and indeed we wrote to Mr Higgins after exchange of contracts, confirming that we would continue to market the property to let for him.

Indeed whilst solicitors were instructed to convey the sale of the properties to Mr Higgins, in March 2012 we entered into negotiations for a letting of the ground floor and basement to David Deyong, a jewellery retail business who were proposing to use the ground floor as a shop and the basement for office, storage and ancillary use. Regrettably, David Deyong withdrew from the proposed letting. I understand that they felt the pitch was too secondary to support a retail business. We understand Deyong subsequently decided that the Hatton Garden area was not strong enough for their business

which I believe has units in the Westfield shopping centres in Stratford and Shepherd's Bush and also in Fulham Broadway.

We were however subsequently able to agree terms with Bullion Traders Limited, a newly incorporated company for a letting of the ground floor and basement only. Bullion were proposing to use the ground floor as a counter for the purchase of gold and other precious metals from the public and to use the basement as a workshop where the metals bought would be melted down and aggregated into a larger quantity that could be traded. On 2nd July 2012, solicitors were instructed to convey a 10 year lease to Bullion at a commencing rent of £20,000 per annum. I wish to point out that not only did the Tenant require a significant discount on the quoting rent which as we had been marketing the premises to let since January 2012 Mr Higgins felt obliged to accept, but the Tenant also required a break option at the 5th year of the term as they were uncertain of whether their business model would be successful, and in order to facilitate the letting Mr Higgins also agreed to this.

A lease was completed to Bullion on 20th August 2012 but we understand that Bullion experienced a number of difficulties following completion of the lease – one of the directors, Cllr Mohammed Khursheed suffered a severe heart attack and the other director Mr Chaudhary became involved in a legal case and as a result Bullion were never able to open their business. I understand Mr Higgins had discussions with one of the directors' sons who initially showed some interest in taking the lease over, but then withdrew his interest and subsequently Mr Higgins agreed a mutual surrender of the lease.

Since 26th January 2012, the property as a whole or as separate units comprising ground floor and basement and first/second floors together or separately has remained on the market. For a floorspace to remain on the market for in excess of two years is, in my professional opinion, an inordinate amount of time.

Whilst we have received a small number of enquiries for the ground floor shop and basement, interested parties have seldom followed up their interest and very few viewings have been requested. There has been no material interest for rental of the first and second floors.

In addition to David Deyong and Bullion (to which I have referred above), I set out below a summary of the most significant interest we have received, all of which has been for the ground floor and basement.

In May 2013, we entered in to discussions with a Turkish based gold refinery business IGR Global and an offer was made by them to lease the ground floor and basement. IGR were proposing a similar business model to Bullion. However after a further period of due diligence by IGR Global their interest cooled and they subsequently withdrew their interest. I understand that the company was not ready for an expansion into the UK market yet.

In October 2013, a local jeweller Karl Karter made enquires to rent the ground floor and basement space for the purpose of the making and selling jewellery and carried out a number of viewings, but ultimately never made an offer despite me making it clear to him that we could agree flexible terms to accommodate him and meeting with his accountant to explain this in more detail.

In the whole time of our marketing the premises to let, the only material enquiry I have received in respect of the upper parts (i.e. an enquiry where a viewing was carried out/further information requested) was in October 2013 from Tony Bond, a jeweller based in Buckinghamshire who was interested in the second floor as there is an extraction flue in situ and it was my understanding that the nature of his business required an extract duct for the machinery he uses. Despite having a number of telephone calls with me to discuss the property and carrying out a viewing, Mr Bond never actually submitted an offer.

I would also like to point out that prior to Mr Higgins ownership, whilst the Joseph family operated a business from the ground and basement floors, it is my impression from the regular viewings I carried out with parties interested in the purchase of the building and from my discussions with the Joseph family, that the upper floors were under utilised and whilst machinery was contained on the first and second floors to support the retail business, it was seldom in use, and ultimately upon the sale of the building the machinery was shipped to the United States to be redeployed in another business owned by the family. The above has also been confirmed to me recently by Mark Hattersley who managed the Joseph's business for many years at 14, Hatton Wall.

It is also important to consider that prior to agreeing the sale to Mr Higgins, the Josephs who had a very long established Hatton Garden business, may have been unable to operate it viably as they were seeking to let the whole building.

The Local Office Market

I wish to inform you that we also marketed the first and second floor space to let to office users and the marketing board currently reflects this, stating "TO LET COMMERCIAL PREMISES 2,000 sq ft OVER 4 FLOORS" as do our details which state workshop/office to let ,however the feedback we have received is that the floors are unsuitable for modern office occupiers being small floor plates with poor access above a secondary shop.

Hatton Wall being a back street in the Hatton Garden area has limited appeal for most office occupiers and indeed west of the junction with Hatton Garden, the only office building of note is Black Bull Yard which I understand offers predominately serviced office space i.e. short term lettings.

The office market in EC1 is now very well developed and landlords must compete for tenants and if their product is undesirable to tenants it will be very difficult to let.

The EC1 office occupier market is now characterised by technology, media and architecture businesses who demand modern, well specified premises i.e. efficient heating and cooling systems, raised floors, showers and cycle storage, break out areas and environmentally conscious workspaces. Refurbishing the first and second floor to this standard would be a substantial and prohibitive cost.

We also feel it is unrealistic to expect a tenant to carry out a refurbishment so that they can occupy the floors, on the basis that a rent free period in lieu would be provided to them by Mr Higgins. Small companies seeking 500-1,000 sq ft of space do not have the resource both in terms of financial capital and management time to be able to undertake such projects. Also, small companies tend to require short term flexibility i.e. a term of 3 years or the opportunity to break their lease. Accordingly, in our experience a letting where an occupier would be required to make a substantial up front investment would not appeal to them.

Summary

In accordance with the guidance set out in paragraph 7.18 of the CPG5 Town Centres, Retail and Employment I confirm that:

- I am a reputable local agent with a track record of letting employment space within London Boroughs of Camden and Islington. Our current portfolio can be viewed on www.jarviskellerstephens.co.uk.
- There has been a visible letting board on the property (constant throughout the marketing period) as detailed above.
- The marketing material has been published on the internet and exercises have included direct mail shots to our applicant database, listing the property on our website, listing the property

on Focus and EGI (Estates Gazette) and marketing the property through the Estate Agents Clearing House.

- As evidenced above the marketing has been continuously since 18th May 2011 i.e. 3 years
- As detailed in the above letter, I believe that the advertised rents were/are reasonable, reflecting market rents in the local area and the condition of the property.
- The lease terms are attractive to the market and they were offered flexibly in terms of the building being let in two parts. Although there has been some interest in the floorspace at ground floor and basement, no letting has been achieved. There has been no material interest in rental of the first and second floors, and no interest at all from an occupier to rent the whole building.
- The building is currently vacant.

Based on my experience, it is my opinion that the property will not achieve any lettings for B1 purposes. In respect of the ground and basement floors, I consider that there is a prospect at some point in the coming year, with continued marketing that a realistic proposal may come forward for retail use of the ground floor and typically this user would also require ancillary space for storage, office etc. so we may also be able to let the basement, However even this will be challenging. The possibility of finding a B1 occupier for the first and second floors is in my view highly unlikely.

I trust the above report is useful to you but should you wish to discuss anything in further detail, please do not hesitate to contact me.

Kind regards

John Keller