

4th March 2016

Kate Philips
Planning Department
Camden Council
5 Pancras Rd,
London
N1C 4AG

Dear Kate,

7 Warwick Court, London, WC1R 5DJ

Following the comments from the Economic Development team, we have set out our response below to each of the points raised. For ease of reference, we have included the text received and added our responses in italics thereafter.

Further information to add to the answers below is available within Farebrother's Market Analysis Report which was attached as Appendix 4 to Montagu Evans' FVA Report submitted on 20 January 2016. Farebrother have now provided an additional document which has been appended to this letter (Appendix 1). We have included extracts from this letter below.

"Do you have photographs of the space by any chance? There are a few in the document, but not really enough to make a sound judgement on the condition of the property.

Please see the Photographic Condition Survey attached to this letter as Appendix 2.

We are concerned about the proposed loss of -521.0 sq. m of employment space.

The actual lettable area of the building is 318 sq m (NIA). This is as a result of the inefficient layout of the premises; 38% of the floor area is lost through circulation and other ancillary facilities. Consequently, the extent of what is being lost is in reality far less than 521 sq m.

I note that in the pre-application response suggests that 'CBC noted that the change of use would need to be justified within the application through analysis of the following:

- Length of vacancy
- Lack of office infrastructure (What is meant by 'office infrastructure'? I assume that's the facilities, services, etc.?)
- Asbestos removal'.

The applicant has not provided evidence of marketing evidence (including information on vacancies) specifically requested at the pre-app stage.

We note the request for marketing. The reality is that the building is not in a lettable condition in its present state (please see the enclosed photographic evidence). The building has not been refurbished for a considerable period of time and through the opening-up works, which have taken place with the agreement of Camden, we have an accurate assessment on the extent of work that is required. The extent of the required work has been assessed by Cundall Johnston and Partners LLP and it has been costed by Coll Associates (please refer to Coll Associates Cost Plan attached as Appendix 3).

CPG5 states:

“There are a number of considerations that we will take into account when assessing applications for a change of use from office to a non-business use, specifically:

- the criteria listed in paragraph 13.3 of policy DP13 of the Camden Development Policies;*
- the age of the premises. Some older premises may be more suitable to conversion;*
- whether the premises include features required by tenants seeking modern office accommodation;*
- the quality of the premises and whether it is purpose built accommodation. Poor quality premises that require significant investment to bring up to modern standards may be suitable for conversion;*
- whether there are existing tenants in the building, and whether these tenants intend to relocate; the location of the premises and evidence of demand for office space in this location; and*
- whether the premises currently provide accommodation for small and medium businesses.*

When it would be difficult to make an assessment using the above, we may also ask for additional evidence in the form of a marketing assessment. Paragraph 6.18 below provides more information on marketing.”

Therefore it is evident that marketing is not a specific requirement. It is only asked for if it is not possible to make a determination as to the premises quality using the criteria set out.

Additionally, as set out in the attached letter from Farebrother:

“- Whilst premises do not need to be fully in repair to be let, this premises is in such a poor state of repair that no potential tenant...would contemplate taking a floor or the whole building no matter what form of realistic incentive would be offered by the landlord.

- Commercial letting agents would not recommend to a landlord to market the premises in its current condition as it would be a waste of time in showing property in this state of disrepair to the type of occupier who would commit to the building.”

The extent of the works required to make the building lettable and bring it up to a basic standard are significant and unviable. The viability assessment prepared by Montagu Evans considers a basic refurbishment and it can be seen that even at an appropriate rental level, the cost of the refurbishment is more than the rental return. Enhancing the specification does not resolve the issue. It is for this reason that we have expressed the view that we do not consider it difficult to make an assessment that the building should be released for alternative uses.

The application highlights the ‘poor condition’ of the listed building and notes that it has been a considerable period of time since the last refurbishment. Whilst we note the applicant’s argument that the listed status of the building makes it unviable to refurbish it to the extent that it could provide top spec, modern office accommodation, we are less convinced that, with more limited refurbishment, it could not provide a range of unit sizes for SMEs who would not necessarily need some of the elements, such as air conditioning required by larger firms.

The property is in major disrepair and requires significant works to get the property into a lettable condition, some of which are requirements for compliance with Building Control.

This assessment has identified a number of essential repairs, i.e those that are required before the building can be re-let. These works do not include the provision of air conditioning and do only provide a limited refurbishment as mentioned above. The extent of these essential works triggers Building Regulations requirements and makes the extent of the refurbishment more onerous. We have appended that list of works and the costs. This is the minimal amount of work required in order to make the building lettable. These works have been summarised below:

Essential Repairs and Compliance with Building Control	
<i>Site preparation, Asbestos Removal and scaffolding to the front and back elevations.</i>	<i>£45,630.00</i>
<i>Substructure, Frame and Upper Floors (Fire proofing between floors and strengthening, levelling floors where necessary).</i>	<i>£45,320.00</i>
<i>External walls, windows and Doors. General repairs, overhauling and damp proofing.</i>	<i>£41,700.00</i>

<i>Internal Walls, Partitions, Doors, wall, floor and ceiling finishes. Carpet floor with ply and underlay, painting walls and ceilings including joinery. Full compliance with listed building requirements when working on the existing floors and ceilings.</i>	£141,994.00
<i>Services (New electrical, plumbing and heating throughout).*</i>	£219,172.75
<i>External Works - Upgrading the existing drainage, plantroom housing, cycle & refuse enclosure and external lighting.</i>	£46,880.00
Sub-Total	£540,696.75
PRELIMINARIES @ 12%	£64,883.61
Sub-Total	£605,580.36
OVERHEADS AND PROFIT @ 7.5%	£45,418.53
Sub-Total	£650,998.89
CONTINGENCY @ 5%	£32,549.94
TOTAL £	£683,548.83

**Cundall Johnston and Partners LLP Condition Survey Report, which was attached as Appendix 7 to Montagu Evans' FVA Report, indicates that the majority of services are nearing the end of their economic life and significant and costly alterations are required.*

As set out in the attached letter from Farebrother::

"The minimum level of cost at simply putting the premises into repair totals £650,000 plus costs, fees and VAT. This is in excess of 5 times the annual rental value of the whole building.

We estimate that the time it will take to do these works will be at least 6 months and due to the Listed nature of the building more likely to be closer to 12 months for permission and the works to take place. Any occupier or indeed any SME would not contemplate undertaking such substantial works on the grounds of the physical costs of the repairs even if funded in part by the landlord, they would not have the requisite skill set to do these works, they would have to be committed on an alternative property whilst these works would need to be undertaken with the necessary double overheads, and that the time spent on managing this process would not be a sensible use of their time and resources. In reality any SME will need to concentrate on their business and not deal with complicated and unnecessary property matters."

Farebrother have estimated that an average rental value of £40.00 per sq ft could be achieved over the upper floors, with £10 per sq ft on the basement. This would produce a total annual rent of approximately £125,000 across the building. Therefore, 5 years' worth of estimated rental value would be required in order to cover the cost of a basic refurbishment. Please find attached Coll Associates Cost Plan for this basic level refurbishment.

This is an unviable solution given that lease lengths are shortening amongst SMEs. The majority of SME occupiers are now only willing to commit to 3-5 year leases, in which time, the estimated rental value would not

pay for the capital sum required for a basic refurbishment, especially when taking a rent free period and other incentives into account.

This has been clarified further by Farebrother in their letter:

“Bearing in mind the likely length of commitment by a typical occupier or SME for premises such as 7 Warwick Court would be 3 years, it is inconceivable that a potential tenant would take these premises and incur up to £650,000 worth of costs when the current market rental of the premises in repair are only £125,000.”

Additionally, we note that any SME carrying out the required works at the property, would also have to be paying rent whilst the works are ongoing and any potential tenant may have pay rent to occupy temporary office space in the meantime, generating additional costs for any potential tenant.

Furthermore, DP13 states that, “the Council will retain land and buildings that are suitable for continued business use and will resist a change to non-business unless:

- a) it can be demonstrated to the Council’s satisfaction that a site or building is no longer suitable for its existing business use; and
- b) there is evidence that the possibility of retaining, reusing or redeveloping the site or building for similar or alternative business use has been fully explored over an appropriate period of time”.

The Loss of Employment Report states that ‘given the condition, layout and statutory constraints of the building, we do not consider it is difficult to make an assessment (as described in CPG5 paragraph 7.5)’ Therefore we do not consider marketing information is required’. Without marketing evidence, it is difficult for us to establish whether there is demand for the employment space. The loss of employment report would be more convincing if it were accompanied by evidence that the office space has been marketed at appropriate rent levels but remained vacant.

As noted earlier, in its existing state, the building is not in a lettable condition and without significant repair, no potential tenant would consider occupying the building, regardless of incentives offered by a landlord. Therefore, commercial letting agents would not recommend a landlord to market the property in its existing condition. Furthermore, CPG5 indicates that marketing is not a specific requirement.

Camden aims to encourage a mix of employment facilities and types, including the provision of facilities suitable for small and medium-sized enterprises (SMEs). The building’s location makes it likely that, at the right price, there would be demand from SMEs for this space. The applicant should demonstrate to

the Council's satisfaction that there is no realistic prospect of demand to use the site for an employment use as specified in DP13.

The applicant might wish to engage with workspace operators to maximise the use of the employment space. We regularly receive enquiries from workspace operators seeking new workspace in Camden. Should you be minded to accept the proposal, we would be very pleased to provide further details on a number of workspace operators that are actively seeking space for SMEs within the borough.

We note the financial viability document and the argument around viability. However, the document does not demonstrate that the premises no longer has any realistic prospect of continuing in employment use, particularly for SMEs.

As set out in the attached letter from Farebrother:

“- The availability of the many serviced office centres that exist do not form part of the overall availability statistics and this type of accommodation would be far better solutions for any SME looking for accommodation rather than 7 Warwick Court being an option”.

SMEs have become attracted to service office providers which offer more flexible and better quality work space at comparable rents in contrast to more traditional work space, such as that at 7 Warwick Court.

Just within WC1 itself, there are 128 serviced office buildings. This includes:

- *Holborn Gate, Chancery Lane, WC1V*
- *Bloomsbury Square, Bloomsbury, WC1A*
- *Claremont Square, Mabledon Place, Kings Cross, WC1H*
- *Southampton Place, Bloomsbury, WC1A*
- *Lion Court, Proctor Street, Holborn*

In their letter, Farebrother note that:

“- Within this part of Camden in the WC1 postcode area there are a large number of serviced office options as part of the overall commercial area of Midtown. These vary from the larger units to the smaller centres that are operated by a multitude of different operators.”

These offices can be taken for flexible amounts of time ranging from only 1 hour and require no capital investment from an occupier. In addition, they provide support services such as receptionists, cleaning services, IT infrastructure and conference facilities which would not be available at Warwick Court.

WorkSpace Group have provided a letter (attached as Appendix 4) where they stress that the building is too small for workspace operation. They typically require a minimum of 50,000 sq ft net space for successful business operation. Therefore, the net space at 7 Warwick Court is significantly below this benchmark.

WorkSpace Group have also noted that:

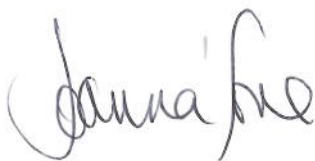
"...the poor efficiency of space would render a business centre unviable from our perspective".

Farebrother's Market Analysis Report which was attached as Appendix 4 to Montagu Evans' FVA Report notes that there has been a significant growth in office space for SMEs in the midtown market. In particular, Farebrother refer to Fox Court on Grays Inn Road, 10 Bloomsbury Way, Holborn Gate, 88 Kingsway, 16 High Holborn and 5 Chancery Lane. The 'Loss of Employment Supporting Statement', previously submitted, also included a table specifically referencing available space at reasonable rents, suitable for SMEs in Camden. A sample of this available space is set out below:

Address	Office Space (sq ft)	Average Rent (per sq ft)
340 Grays Inn Road, WC1X 8BG	4,345	£12.27
28-30 Hanway Street, London, W1T 1UL	4,023	£24.85
63-66 Hatton Garden, London, EX1N 8LE	3,559	Upper Floors: £34.36 Basement: £6.97
67-68 Hatton Garden, London, EC1N 8JY	4,637	£34.83
Queens House, 55-56 Lincolns Inn Fields, London, WC2A 3BH	3,758	£57.50

We trust that the above and attached has been useful and we look forward to your response. Please do not hesitate to contact me if you have any further queries.

Yours sincerely,



PP
Graham Allison
Associate Planner
On behalf of Montagu Evans

APPENDIX 1- Farebrother Update Letter

Our Ref: MMB/lod

26th February 2016

Rachel Lambert
Montagu Evans LLP
5 Bolton Street
London
W1J 8BA

27 Bream's Buildings

London

EC4A 1DZ

tel +44 20 7405 4545

fax +44 20 7404 4362

email enquiries@farebrother.com

farebrother.com

Direct Line: 0207 855 3566
mbrackley@farebrother.com

Dear Rachel

Re: 7 Warwick Court, London WC1R 5DJ

Further to my report of 19th January 2016 regarding 7 Warwick Court.

Farebrother as Midtown specialist letting agents can comment as follows:

- 7 Warwick Court is in a major state of disrepair and will require substantial works to get the accommodation into a lettable condition. The photographic schedule clearly shows this.

- Whilst premises do not need to be fully in repair to be let, this premises is in such a poor state of repair that no potential tenant, who would take either part of the property, would contemplate taking a floor or the whole building no matter what form of realistic incentive would be offered by the landlord.

- Commercial letting agents would not recommend to a landlord to market the premises in its current condition as it would be a waste of time in showing property in this state of disrepair to the type of occupier who would commit to the building.

- The minimum level of cost at simply putting the premises into repair totals £650,000 plus costs, fees and VAT. This is in excess of 5 times the annual rental value of the whole building.

- We have seen the breakdown of Coll Associates costs into the separate sections and these sections are simply repair and the minimum level of work to make it lettable:

- o Preparation
- o Substructure, Frame & Upper Floors
- o External Walls, Windows and Doors
- o Internal Walls, Partitions, Doors, Walls and Floor and Ceilings
- o Services – electrical, plumbing and heating
- o External Works

- Whilst tenants often take premises in a state of disrepair and are compensated with additional rent frees for the works that they may have to do this is for minor level of works typically amounting to 3 or 6 months rent.

A member of

F:\FB\PRO\Property Records\Warwick Court\7\16.02.26



- Bearing in mind the likely length of commitment by a typical occupier or SME for premises such as 7 Warwick Court would be 3 years, it is inconceivable that a potential tenant would take these premises and incur up to £650,000 worth of costs when the current market rental of the premises in repair are only £125,000.

- We estimate that the time it will take to do these works will be at least 6 months and due to the Listed nature of the building more likely to be closer to 12 months for permission and the works to take place. Any occupier or indeed any SME would not contemplate undertaking such substantial works on the grounds of the physical costs of the repairs even if funded in part by the landlord, they would not have the requisite skill set to do these works, they would have to be committed on an alternative property whilst these works would need to be undertaken with the necessary double overheads, and that the time spent on managing this process would not be a sensible use of their time and resources. In reality any SME will need to concentrate on their business and not deal with complicated and unnecessary property matters.

- The availability of the many serviced office centres that exist that do not form part of the overall availability statistics and this type of accommodation would be far better solutions for any SME looking for accommodation rather than 7 Warwick Court being an option.

- Within this part of Camden in the WC1 postcode area there are a large number of serviced office options as part of the overall commercial area of Midtown. These vary from the larger units to the smaller centres that are operated by a multitude of different operators.

The building as it stands is in my view incapable of being let without substantial works being done to it. The level of return that is potentially on offer just does not warrant a commercial landlord actually spending the money in return for the market level of rent. Similarly a potential tenant is not going to undertake the costs and the risks of doing works whether on a floor by floor or a whole building basis in its current condition. Even contemplating a tenants entering into discussions on those grounds renders the marketing of the space in its current condition worthless.

I hope that this is what you require and if you require any clarification then please let me know.

Yours sincerely



Malcolm M Brackley

FAREBROTHER

APPENDIX 2 – Photographic Condition Survey



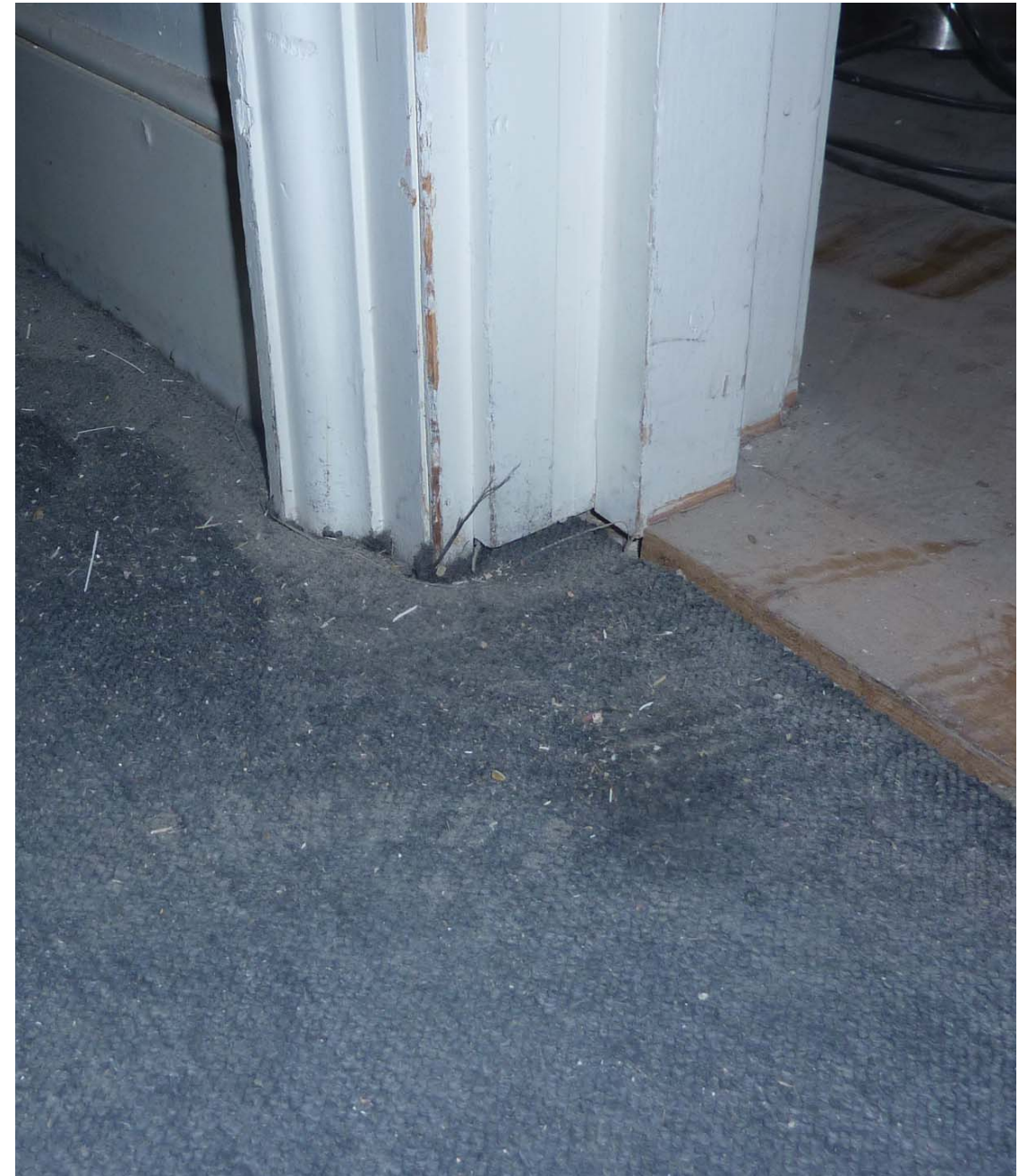
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EXISTING GROUND FLOOR
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EXISTING GROUND FLOOR
CORRIDOR TO EXISTING OFFICE



EXISTING GROUND FLOOR
STAIRCASE TO BASEMENT



EXISTING LOWER GROUND FLOOR

W/C



EXISTING LOWER GROUND FLOOR

MALE W/C



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EXISTING LOWER GROUND FLOOR

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EXISTING LOWER GROUND FLOOR

KITCHEN



EXISTING FIRST FLOOR

EXISTING OFFICE

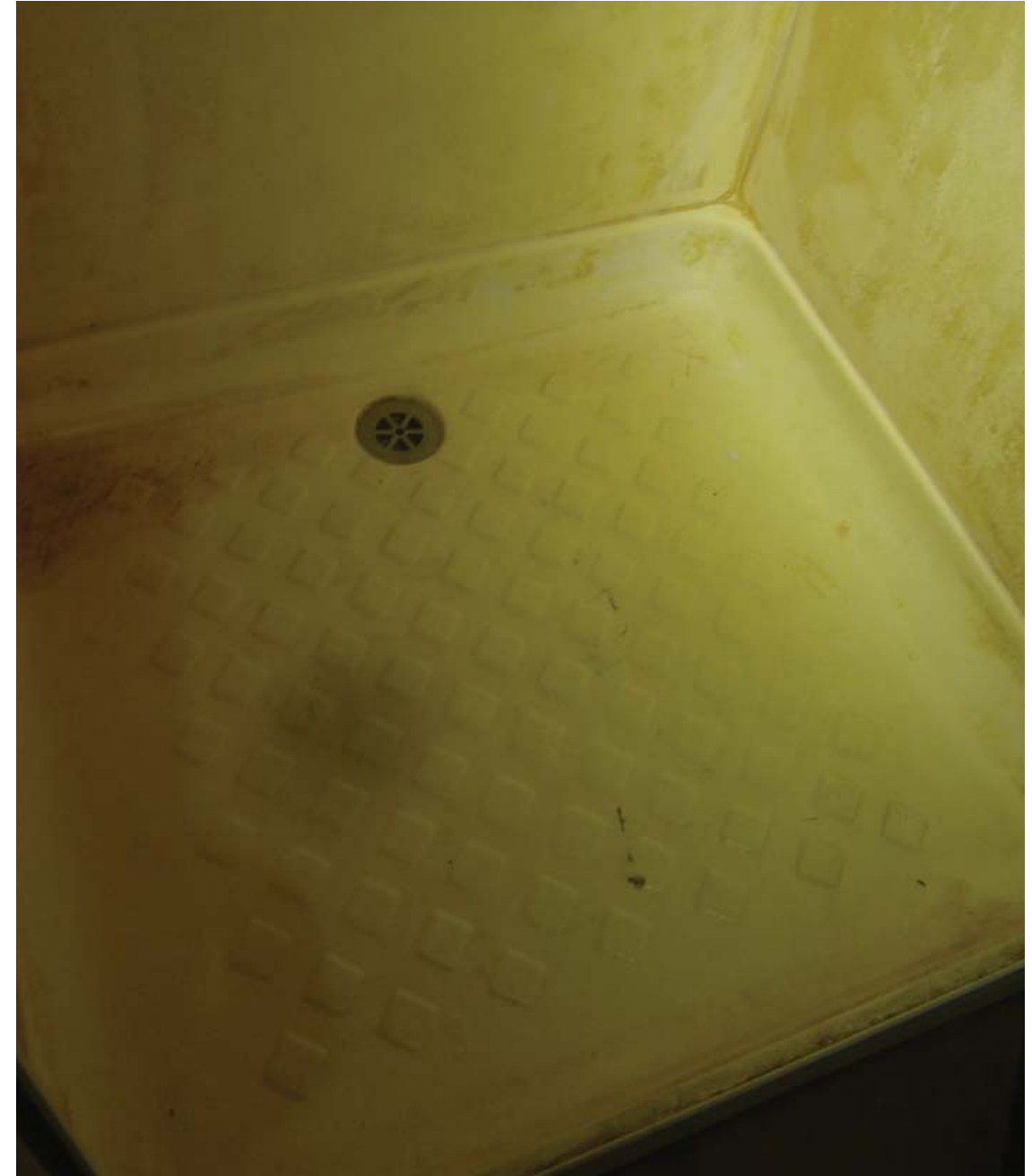


EXISTING LOWER GROUND FLOOR

KITCHEN



EXISTING LOWER GROUND FLOOR
SHOWER ROOM



EXISTING LOWER GROUND FLOOR
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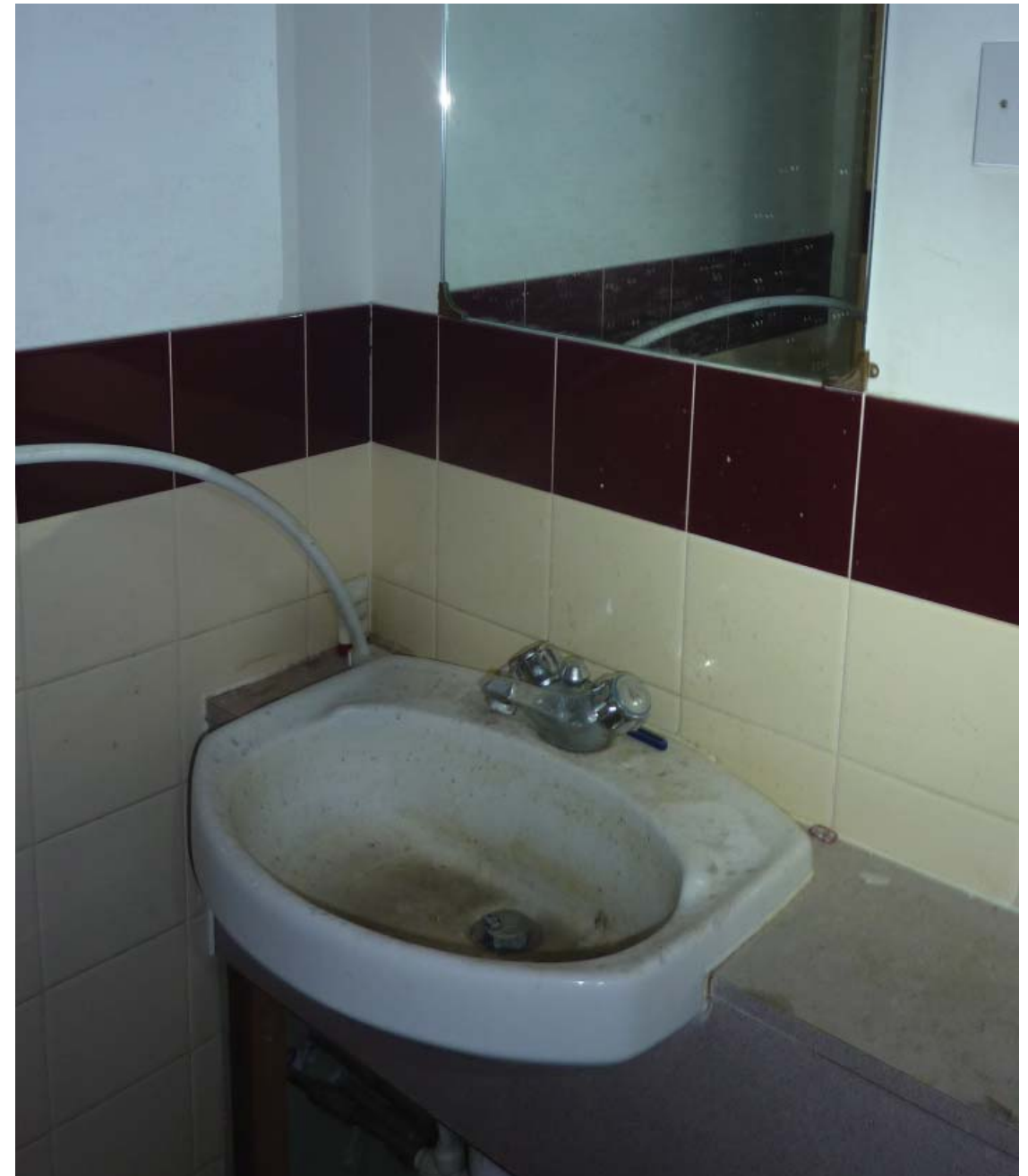
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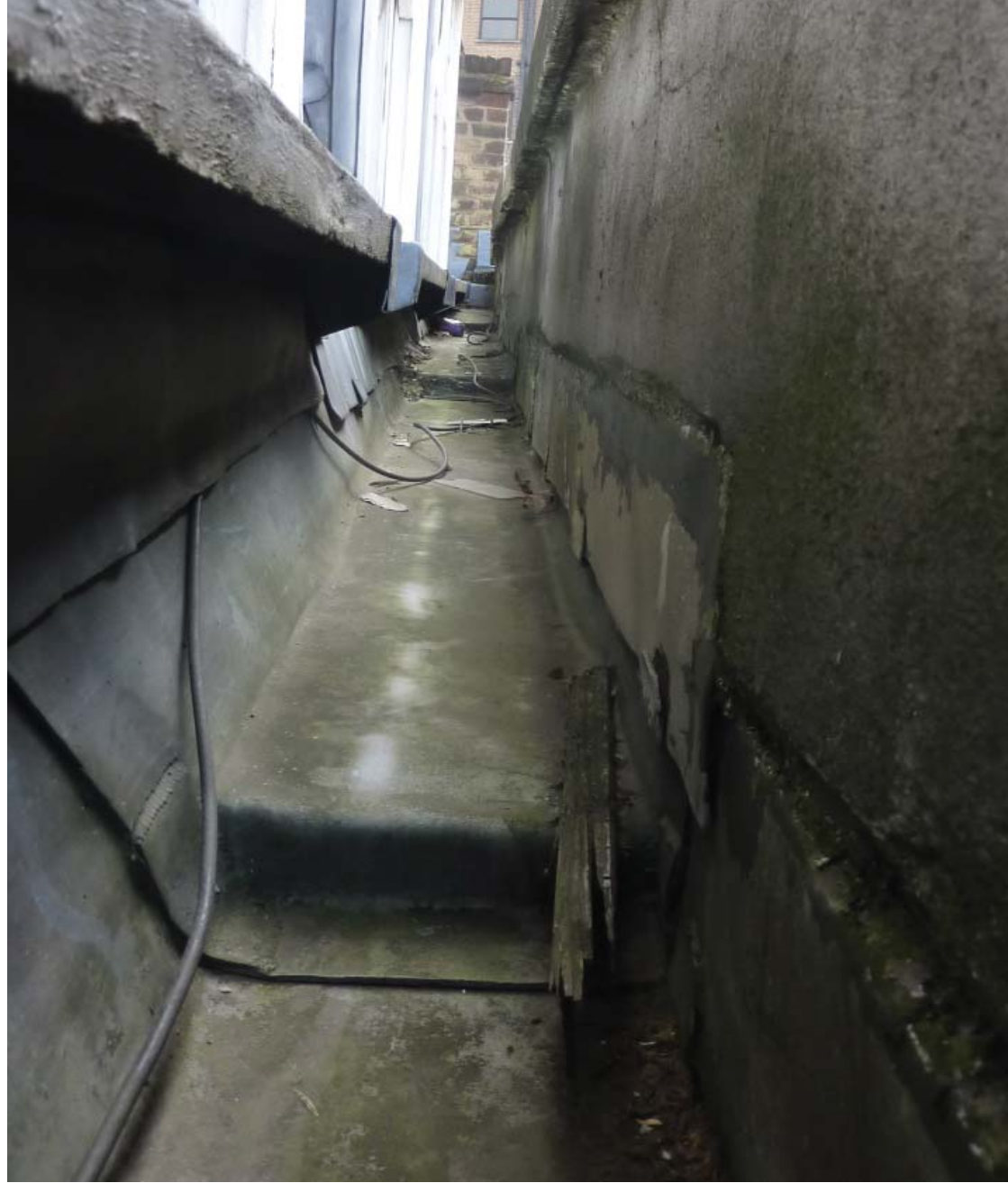
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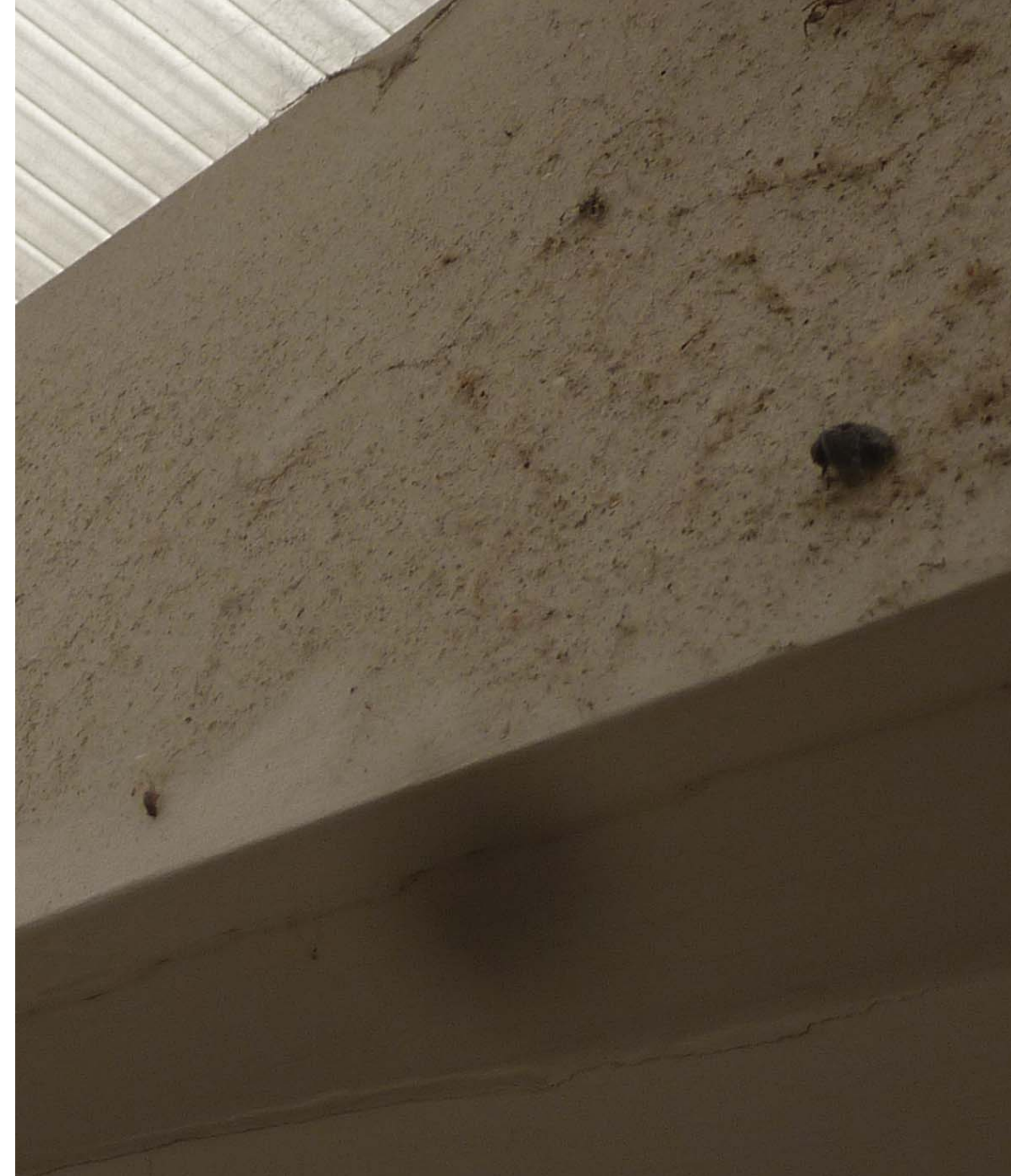
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EXISTING SECOND FLOOR
OFFICE



EXISTING THIRD FLOOR
ROOF



EXISTING THIRD FLOOR
ROOF



EXISTING THIRD FLOOR
EXISTING LIFT MOTOR ROOM



EXISTING THIRD FLOOR

EXISTING PLANT ROOM



EXISTING ROOF LEVEL

BACK VIEW



EXISTING ROOF LEVEL

BACK VIEW

APPENDIX 3 – Essential Repairs Minor Office Refurbishment

SECTION 1**SUMMARY OF PRELIMINARY BUDGET ESTIMATE**

	EXISTING FLOOR AREA	521	m ²	5,608	ft ²
	PROPOSED FLOOR AREA	521	m ²	5,608	ft ²
		£	£ / m ²	£ / ft ²	
ESSENTIAL REPAIRS AND COMPLIANCE WITH BUILDING CONTROL					
1.1	Site preparation, Asbestos Removal and scaffolding to the front and back elevations.	£45,630.00			
1.2.1	Substructure, Frame and Upper Floors (Fire proofing between floors and strengthening, levelling floors where necessary).	£45,320.00			
1.2.3	External walls, windows and Doors. General repairs, overhauling and damp proofing.	£41,700.00			
1.2.4	Internal Walls, Partitions, Doors, wall, floor and ceiling finishes. Carpet floor with ply and underlay, painting walls and ceilings including joinery. Full compliance with listed building requirements when working on the existing floors and ceilings.	£141,994.00			
1.2.5	Services (New electrical, plumbing and heating throughout).	£219,172.75			
1.2.6	External Works - Upgrading the existing drainage, plantroom housing, cycle & refuse enclosure and external lighting.	£46,880.00			
	Sub-Total	£540,696.75			
	PRELIMINARIES @ 12%	£64,883.61			
	Sub-Total	£605,580.36			
	OVERHEADS AND PROFIT @ 7.5%	£45,418.53			
	Sub-Total	£650,998.89			
	CONTINGENCY @ 5%	£32,549.94			
	TOTAL £	£683,548.83			

APPENDIX 4 – Evidence from Workspace

Noel Leonard
GFZ Investments
Suite 68
272 Kensington High Street
London
W8 6ND

1st March 2016

Private and Confidential

Dear Noel

Re: 7 Warwick Court, London, WC1R 5DJ

I write in regard to the above property extending to 5,200 sq ft gross and 3,200 sq ft net.

The scale of the property is not of interest to my organisation. We target a minimum of 50,000 sq ft net space for our operation to run as efficiently as possible. So this space is far too small.

In addition the poor efficiency of space would render a business centre unviable from our perspective.

Yours sincerely,



Jonathan Shelton
Head of Investment