

R. Fieldhouse
Iceni Planning
Flitcroft House
114–116 Charing Cross Road
London
WC2H 0JR



Jones Lang LaSalle Limited
Walbrook Building
25 Walbrook
London
EC4N 8AF
www.jll.com

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Dear Rebecca

DESIGN AND MARKETING FOR PROPOSED COMMERCIAL SPACE AT 1 ST PANCRAS PLACE, WC1

Further to our conversations regarding this potential widening of the use class consent of the scheme to include B1 in addition to A1/A3, I am pleased to set out within this letter our views on the progress to date on the marketing of the space, the natural limitations and benefits of the space and the occupier demand.

I understand that as consented (under planning permission ref. 2014/4267/P) the scheme comprises a ground floor gallery/café unit of 80sqm at the south end of the courtyard, as well as 1,010sqm of office (Class B1) floorspace, as approved on dwg ref. 126_1201 Rev A. The café/gallery unit would be quite small in size comprising just 55sqm of net floorspace. It is proposed under this amendment application to make the use of this cafe/gallery space flexible Class A1/A3/B1. The remainder of the office floorspace would remain in Class B1 use as originally intended.

The ground floor has been designed to allow natural daylight through much of its frontage, at points in the rear via lightwells and through skylights on the ground floor only. The basement level has limited natural light, of what it does have originates through the rear lightwells and the staircase which connects it with the ground floor. This makes the frontage desirable for potential office occupiers.

Both levels have good floor to ceiling heights with slab to slab being in excess of 3.8m. Due to the configuration of the space, whilst it is possible to separate the floors and still have access to both levels, the space really is best suited being one combined unit due to the size of the corridor servicing the lift, and the absence of natural light on the lower ground floor. JLL has been marketing the space since the beginning of 2016 to A1/A3 operators and has experienced a lack of firm interest. As you may be aware, the immediacy around Kings Cross has since a large number of operators open up over the last 3-5 years as Kings Cross station upgrade has been completed. Destinal venues such as Drake & Morgan, Caravan, Granger & Co and the German Gymnasium are within Argent's Kings Cross campus, but all around the wider area, well-known names such as Honest Burger, Five Guys, Pizza Union, and Camino have opened up.

I understand that the client wishes for the space is to be arranged as follows:

Demise	GIA (Sq Ft)	NIA (Sq Ft) Assuming an approximate 10% discount to GIA
Ground	4,747	4,272
Lower Ground	5,360	4,824
Total	10,107	9,096

If the café/gallery unit had the flexibility of being in office (Class B1) use, then this would give the opportunity for the space to be arranged as a self-contained 'duplex' unit.

Feedback from operators has broadly highlighted that the space itself is too small for A1/A3 uses as most units in the surrounding area are between 150 and 200 sq m (1500 to 2000 sq ft). As it currently stands, a small unit would only attract smaller, new businesses which may present issues to Regal with regards to covenant as they will often have little or no track record.

The current planning consent does not permit gated access at either end of the mews – this again has been highlighted by potential operators as an issue. Currently Grays Inn Road and the wider Kings Cross area has busy pedestrian footfall and a homelessness issue. There is some concern that the open mews may encourage people to loiter undesirably. A restricted (by hours) or by key fob (or similar) access may help to resolve this matter.

Equally as important, there currently is a planning condition in place that no music that is audible to the residential is permitted. Most modern restaurants and cafes play music to some degree and in times of good weather, they wish to open their doors to capitalise on that, however they will then have to turn their music off which could be detrimental to their brand/image. Generally, the permitted opening hours of 7am-10pm on Mon-Sat, and 9am-9pm on Sun and Bank Holidays are acceptable. It has been highlighted that the restrictions on outdoor seating are negative and operators are wary of how close the site generally is – their activities are in close proximity to the other buildings, which can be seen as restrictive when coupled with the noise point above.

It is our firm belief that it would greatly improve the attractiveness of the space (and thus the probability of letting) if the space had the ability to be used as office (Class B1) space in addition to A1/A3. We have witnessed across the whole of central London, the blurring of lines/cross-collaboration of different uses, largely being driven by the SME and coworking sectors. These companies want flexibility in their space as it is rapidly becoming commonplace to incorporate

hospitality within their spaces. Pertinent examples of this are Central Working, who in various locations have integrated Gail's and Foxcroft & Ginger into their operations. WeWork (one of the world's largest serviced office operators) has fully functioning cafés and events areas within most of their locations. In order to contextualise this request for B1, we set out below an overview of the B1 market in the city fringe market:

It is well publicised that the City fringe market has been the main beneficiary of the eastern migration of companies out of the west end. Between 2013 and 2015, JLL research has shown that 47% of the media and technology companies that moved out the west end, moved to Clerkenwell or Shoreditch. As a result of this strong demand, office rents in these areas have increased from £25psf to £65psf over a 5 year period. Over the same period, 45,000 technology businesses have been formed across London, and this has created an affordability problem in the area.

We have observed across a number of submarkets (Soho, Noho, Clerkenwell, Shoreditch and East London) that generous fenestration on the front elevation of a ground floor demise, coupled with a lightwell/feature staircase down to lower ground floor level is extremely desirable to those in the creative sectors. The Clerkenwell showroom district clustering is predicated on this fact, with products at ground floor level and office at lower ground. We have seen it being popular with fashion companies in all areas, and with technology and coworking businesses in Shoreditch and east London as it offers them the ability to locate on a prime pitch but at a more affordable price point and have a noticeable ground floor branding presence. We see the key sectors of particular interest for this scheme being:

- Product and graphic design
- Furniture showrooms & galleries
- Architects
- Fashion and PR
- Publishing and digital agencies
- Technology
- Coworking

Given that the proposed scheme is c. 10,000 sq ft, over two floors, this will provide the ideal amount of office space to capture the latent demand in the creative city fringe. Very few requirements coming out of Shoreditch for example are over 15,000 sq ft, and coworking providers generally prefer 10,000 sq ft or more as it helps them to drive efficiencies through economies of scale. Often these requirements are budget-conscious and so having a self-contained duplex unit which allows a lower blended rental profile over ground and lower ground floors will allow creative businesses to remain in the Kings Cross area.

Yours sincerely,

Michael

MICHAEL P. DAVIS MRICS

Regional Director - Head of London Unlimited
Jones Lang LaSalle Limited