

## **MARKETING REPORT**

**on**

**5 Denmark Street, London WC2**

**For**

**Sterling Property Developments Ltd**

**prepared by**



**Dated**

**April 2017**

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## 1.0 Brief

The purpose of the report is to assess the suitability of the existing office floors provided within the subject property for continued use in its current form in the context of forthcoming proposals for the building.

Monmouth Dean have been marketing various offices suits in the street and in close proximity over the last 5 years.

## 2.0 The existing buildings

The property provides small floor plates accessed via a shared staircase. They are in poor condition as demonstrated in the photographs below:-



## 3.0 Commercial viability

It has become evident that the office accommodation provided at Denmark Street is not sufficient quality to attract office occupier(s) to relocate their business to the buildings

Due to the age of the properties the building has a number of considerable limitations, which are detailed below:-

### 3.1 Modern occupier's requirements

Over the last decade we have seen an unprecedented evolution of the use of IT and its equipment. This has created a need for office space to handle state of the art data processing equipment. This increase in use of IT has created its own problems. Cabling requirements need to be satisfied and ideally office temperature levels need to be kept consistent. As a consequence, modern office occupiers are consuming vastly

increased levels of power. There is a considerable cost to providing additional power to the building and achieving this is not even guaranteed.

### **3.2 Air cooling**

Nearly every modern office tenant needs some form of air conditioning or air cooling. It enables organisations to provide a balanced and pleasant working environment for their workforce. In fact this is becoming one of the most important features for employees to retain staff. There is currently no air con in the office elements. Therefore, a new air conditioning system is fundamental to satisfy occupiers of today.

### **3.3 Cabling**

It is imperative to provide suitable cabling solutions. Preferably this would be by way of installing new raised floors for occupiers to cable their offices. As mentioned above as IT use has increased, so does the amount of cabling which in turn affects the size of the void in the raised floor. Most schemes now provide an allowance of 75-100mm void under the raised floor.

If raised floors with these void sizes are installed on all of the office floors, then this significantly affects the floor to ceiling height in a negative way. This is further detailed below.

Due to many of the buildings on Denmark Street being Grade II listed, this compromises the ability to ensure that raised floors can be installed, hence, restricting the usability of the buildings as modern offices.

### **3.4 Floor to ceiling heights**

Most occupiers seeking office accommodation of floors of 1,000 sq ft (c.100 sq m) would require a property to provide open plan floors served by an air cooling system, modern ceilings with integral lighting and a fully accessible raised floor. Combining all of this makes refurbishment of these office floors impractical.

The low floor-to-ceiling heights prohibit the landlord from installing a raised floor and suspended ceiling, which is required to incorporate cabling and air cooling systems, thus, restricting the possibility of bringing the existing office space up to modern day standards, which in turn will lead to significantly lower rents being achieved.

### **3.5 Passenger lifts**

Most office occupiers require fast and efficient passenger lifts and there are currently no lifts and the no ability to install new lifts.

In this context it is concluded that the property, which is reaching the end of its economic life in commercial terms, requires substantial investment in its fabric to ensure its future of can be secured. However the current condition and period layout is not attractive to the modern occupier.

## 4.0 Market Commentary

### 4.1 Availability

Availability is slowly increasing in the West End with current vacancy rates standing at just over 5%. 180,381 sq ft of office space is currently available in sub market of Covent Garden (over all size ranges) which makes up just 3%.

### 4.2 Demand

Whist 2017 has started with a high level of enquiries, this has not yet translated into take up or transactions. Due to the wider geopolitical and economic concerns, businesses are much more cautious so it is predicted that the activity within the central London office market will be less than previous years.

The demand for smaller offices in the West End is generally buoyant at any time in the market as there are smaller occupiers than larger ones. However due to the nature of all modern occupier's requirements, the demand for the current floor space of this nature is very limited.

## 5.0 Conclusion

The existing property provides poor quality office accommodation. This has meant that any marketing void of such vacant offices are substantially increased.

In order to attract better lease terms and rental returns, a substantial refurbishment would have to be undertaken. This requires substantial capital expenditure to bring it up to a lettable condition. Significant works would be necessary to install new mechanical & electrical (M&E) equipment, install lifts, etc. Due to the physical restrictions of the floor to ceiling heights and the floor plates achieving a Grade A specification is not physically possible or economically feasible. As a result, even after refurbishment, the rental value would be discounted to reflect the compromised floor layouts.

There are numerous office buildings in the vicinity which reflect the requirements of modern occupiers, as described above. The most obvious is the successful Central St Giles Scheme which overlooks Denmark Street. With Google set to vacate a significant amount of this building in the next few years, the office offering in the area is set to increase. Soho Estates are also adding office stock to the micro location with their planned scheme on Charing Cross Road which will provide a further 25,000 sq ft. Finally when Cross Rail is complete, Derwent London will build their office building at 1 Oxford Street which will provide a significant 200,000 sq ft of offices.

## 6.0 Disclaimer

This marketing report is to provide guidance in assessing possible rental values that may be achieved when the property is marketed. It is not a valuation and cannot be relied upon for any borrowing or other collateral. All rents are assuming the building is available in today's market after any of the recommended refurbishment works have been completed.