

3<sup>rd</sup> July 2019

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Sent by: Email

Our Ref: Maria Fidelis School – Viability Assessment

**Dear Sirs,**

Our clients London Borough of Camden (LBC) and London Continental Railways (LCR) are master planning the former Maria Fidelis School site which subject to planning, is intended to create a unique opportunity for a potential office occupier. The site will include a skills workshop at the rear, landscaped areas for the local community and a refurbished existing Edwardian School to provide c.17,500 sq ft of office space on ground to 3rd floor, an 8,000 sq ft roof terrace and c.3,000 sq ft multi use community gym (which could be incorporated within the office element). The school is now vacant, with the exception of live in guardians for security.

New office developments and refurbishments in Euston/Kings Cross have performed extremely well and driven very strong demand in recent years. Net absorption of around 400,000 sq ft over the past 12 months represents one of the strongest performances in London. Such robust demand has allowed vacancies to consistently return to very low levels despite a wave of new buildings hitting the submarket (vacancies here are currently the lowest in Central London). The vacancy rate is likely to remain at relatively low levels over the next few years, as the only significant buildings that are either currently under construction or expected to start imminently are fully pre-let or under offer. The popularity of the area has also been helped by the creation of the Knowledge Quarter and the Francis Crick Institute and establishing the micro area as a centre of excellence for medical science and research.

All of the above with recognised office brands, new retail, cafes, hotels and restaurants opening has created an area where average prime office rents are now c. £60 per sq ft.

With the scheduled 'enhanced fit out' works due to be completed in the main building at Maria Fidelis School, we have listed the relevant office comparables below:

- **Euston House, 24 Eversholt Street (8<sup>th</sup> floor)** - In May 2018, I2 took 8,580 sq ft of office accommodation on a new 5 year FRI lease for £55.00 per sq ft. The 8<sup>th</sup> floor comprised an air conditioned, open plan office space with excellent natural light.
- **16 Upper Woburn Place (2<sup>nd</sup>- 4<sup>th</sup> floors)** – Regus Management (UK) Ltd took 18,675 sq ft in April 2018 for £53.86 per sq ft on a new 4 year FRI lease. The building offers a period property which was recently refurbished to comprise raised floors, air conditioning and two lifts.
- **Fox Court, 14 – 22 Gray's Inn (suite)** – In December 2018, We Work took a new 17 year FRI lease at £62.65 per sq ft on the 8,171 sq ft office suite. The space was fully furnished with broadband and had the use of a conference room and parking.
- **Herbal House, 8-10 Black Hill (1<sup>st</sup> – 2<sup>nd</sup>)** – In June 2019, Adidas UK are due to occupy 30,419 sq ft of office accommodation on a new 4 year FRI lease at £60.000 per sq ft overall. The space will be provided in a shell and core condition with cycle storage, shower facilities and lift access.

Having regard to the comparables listed above and the general market conditions, we believe that following the enhanced fit out works, MFS could achieve £47.50 per sq ft on an overall basis, which is a 20% discount from Grade A rents in the local area and less than most Central London sub districts. This rent has been reduced to take into consideration the disruption and negative impact of the HS2 construction project behind the subject building and to ensure the building is pre let quickly with a minimal letting void.

Taking in to account the above and a lease term of 10 years, providing the covenant strength of the tenant is respectable, we would expect to achieve a yield of 5.75 – 6.00% yield based on 30 months' rent free.



**Jack Beckett**

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