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## **APPENDIX 2**

### **REPORT ON**

**BOSTON HOUSE MARKETING REVIEW – PLANNING  
APPLICATION NOS: 2020/2226/P AND 2020/2606/L**

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**SEPTEMBER 2020**





Wednesday 8<sup>th</sup> July

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## **Boston House Marketing Review – planning application nos: 2020/2226/P and 2020/2606/L**

### **1.0 Introduction**

- 1.1** JLL has been instructed by Fitzroy Square Frontagers' and Garden Committee (FSFGC), in response to the above planning applications, to review the following: the local office market in Fitzrovia; the suitability of Boston House and County House for office use; and RIB's Marketing Review & Report (dated 19<sup>th</sup> May 2020).

- 1.2** This letter should be read as an adjunct to, and update of, JLL's November 2019 report (Appendix 1. Referred to in the following letter as 'November 2019 report'), which was submitted on behalf of FSFGC in response to the previous planning application submitted by the New College of Humanities in August 2019 (ref: 2019/4256/L). This application was subsequently withdrawn on the basis that the London Borough of Camden's planning policy seeks to protect office space, such as Boston House, within the borough.

### **2.0 Updated Market Dynamics**

- 2.1** Time has now elapsed since the November 2019 report was submitted. But despite this, it is important to show that market conditions and fundamentals are relatively unchanged, with vacancy in the West End very tight at 4.7%. Fitzrovia is even more popular, with vacancy levels at 3.1%. The demand for newly built or refurbished office space in Fitzrovia is even more telling, with vacancy at just 0.8%.

### **1.0 Introduction**

- 1.1** JLL client is the Fitzroy Square Frontagers' and Garden Committee (FSFGC). The FSFGC objections to the change of use from offices to educational use are focused on considerations which are unfounded.

Roger Hepher, in his report, principally focuses his objections on these issues on behalf of a few residents.

They express concern about students "hanging around" outside the building, bicycles being left on railings, and the like, but this is a situation which can be monitored and policed, thus alleviating the concerns of the residents. There are two educational buildings close by in the Southbank International School and First Intuition, and the managing agents know of no such disturbance. Indeed, educational institutions are in a very strong position to ensure that management plans are enforced than say officers which would have greater difficulty controlling clients and other visitors.

I suspect it would be the Council's duty to deal with any complaints from the residents, but surely a few residents should not be able to govern planning decisions, to the extent that an office building has to stay an office use whatever, even if the desirable use is educational, and it has been demonstrated, through extensive marketing, that the site is no longer suitable for its existing office use.

### **1.2**

### **2.0 Updated Market Dynamics**

- 2.1** In my judgement and that of others, the JLL pre Covid-19 Pandemic report is massively over optimistic in respect of the market which we have entered, and having handled 4 previous recessions, in 1974, '84, '94, and Lehman's 2008, I have experienced the effect of recessions which followed times of economic uncertainty.

Vacancy levels are undoubtedly going to rise substantially, especially as 30% of office workers are forecast to be working from home, even after the Covid-19 Pandemic leaves our shores.

- 2.2 Demand for office space in Fitzrovia remains strong, with named tenants searching for Fitzrovia office space, amassing to c.400,000 sqft. (NB this excludes all serviced office requirements.)

- 2.2 I question that the demand from named Tenants was 400,000 sq ft within Fitzrovia in isolation, and what small proportion of that demand, if accurate, would have been for a listed HQ building of some 25,000 sq ft, or individual floors ranging between 3,000 - 5,000 sq ft.

Our research shows that demand for offices will radically reduce.

Perhaps JLL will clarify how much of this 400,000 sq ft demand was from one or two larger corporate occupiers, who would, of course, have nil interest in Boston House.

Lehmans' crashed in September 2008, and evidence of the fall in rental values, cannot be better demonstrated than the result of 3 rent reviews on identical 14,000 sq ft floors, in Queensbury House, Old Burlington Street, the last of which this firm handled, where rents were agreed as follows:

- 24 June 2008            £102.00 per sq ft
- 29 September 2008   £78.00 per sq ft
- 25 December 2008   £68.00 per sq ft

The Banking Crisis diminished Rents by 32% in 6 months, and a drop of 30% of office workers in the West End is likely to produce a higher figure than that.

This is the first time that employers' and workers' mind sets have been changed by 6 months, and perhaps longer, from working from home.

- 2.3 Even in the first two quarters of 2020, we have seen occupiers commit to buildings, that they have most likely been unable to inspect due to the Covid-19 crisis, to the tune of 88,163 sqft in Fitzrovia, and 135,794 sqft in neighbouring Euston.

- 2.3 Again, I would question the proportion of these figures that apply to individual office floors of 3,000 - 5,000 sq ft, and self-contained buildings of 20,000 sq ft - this evidence is slim to say the least, and that these figures adopt much larger single floor lettings and / or much larger HQ building lettings.

Notwithstanding the fact that Boston House is a stylish building, it does not meet Fitzrovia office demand. If the Square was not called Fitzroy Square, one questions whether the building would be located in anything other than what was considered to be a Fitzrovia backdrop location.

JLL comments that 88,163 sq ft was committed to, by occupiers, in the first two quarters of 2020 which shows de minimis letting activity.

Half of those deals were probably signed before Covid-19 took effect in March, and if so, that's only 44,000 sq ft approx. may have been let since.

Whilst neighbouring Euston is but a stone's throw away, I do not believe it is directly comparable to Fitzrovia itself, attracting office occupiers from different industries than Fitzrovia, and typically there being much larger floor plates.

The JLL uptake figures paint an optimistic picture, and we recently commissioned an 8,000 Company Survey of office occupiers with a headcount of 20 or more persons, the results of which are shown in Appendix 4.

It seems that the majority of occupiers are likely to have at least 30% of personnel either made redundant or working from home, and taking into account social distancing may force those occupiers to need slightly more space, say 10%, it follows that office demand will reduce by 20%, taking little account for redundancies which will increase in in October when the Government

furlough support scheme is removed, the outcome of which will be catastrophic.

Schroders alone announced that 5,000 staff will remain working from home, and they have no short to medium term need for offices.

As aforementioned, there is a likelihood of high office vacancy, with little office demand in the future.

- 2.4 My views are as per above, namely that rents will fall, vacancy rates will increase, and demand will reduce by at least 20%.

I am supported in this opinion by input from my colleagues in our Agency Department, whose views are, in fact, less optimistic than mine.

### 3.0 Location

- 3.1 Fitzroy Square is an attractive destination location. It is situated at the northern boundary of Fitzrovia backing onto Euston Road.

The catchment office tenant in Fitzrovia is typically in the creative, media, and technology industries, and Fitzroy Square, despite its beauty, and prestigious nature, is a secondary location for those industries.

- 3.2 Active current demand is unrealistic for comparable buildings, and supply will increase as explained throughout my report and cross representations.

### 4.0 JLL Experience

- 4.1 The main body of our work relates to office buildings ranging between 2,000 and 30,000 sq ft, and the figure of 240,012 sq ft, over the last 2 years, suggests only say 120,000 sq ft per annum, and perhaps only 60,000 sq ft in Fitzrovia, and Euston, and one questions the sq footage in Fitzrovia which JLL let.

If one included the Euston market, which includes many buildings of 60,000 – 100,000 sq ft or larger, these would impact the figures.

The future looks bleak, and JLL should state the sizes of the buildings which have been let, since their comparable evidence schedule hereunder, does not include 120,000 sq ft in Fitzrovia.

JLL has not provided any evidence of comparable buildings to the subject property, and nor have they focused on the 20,000 sq ft + market of self-contained buildings with more than one lift.

### 5.0 Investing in office buildings

- 2.4 JLL has a global team of economists and researchers assessing the impact of CV-19 across international markets, including London, and it is our strongly held 'house view' that Covid-19 will have made global occupiers even more discerning in the office market, there will be a 'flight to quality' and demand for prime Central London office buildings will remain strong. Furthermore, HQ type buildings, such as Boston House, are likely to be important to the economic recovery of central London.

### 3.0 Location

- 3.1 I refer to the November 2019 report, whereby we stated that Boston House is a prime West End Office building, and in the context of the office market, with appropriate asset management and marketing in place, would let well and be a positive addition to the Fitzrovia office market. The building sits firmly in the Fitzrovia market, within the well-known parameters, those being South of Euston Road and North of Oxford Street. This is supported by RIB's marketing particulars submitted as *Marketing Letter Appendix 1* (planning application ref: 2020/2226/P) which states: "The property is located south of Euston Road in the heart of Noho/Fitzrovia's creative, media, and technology industries." It is, therefore, misleading for RIB's report to state that JLL 'have not reported accurately on the building and its location.'

- 3.2 RIB state that Fitzrovia is a large catchment area and Boston House is often considered closer to Euston. Our data show that Fitzrovia is actually one of the smallest markets in the West End, measuring approximately 0.6 miles by 0.5 miles. Furthermore, if we included Euston area statistics, the argument would be even more compelling, with over two million sqft of active demand in both markets [combined] currently recorded.

### 4.0 JLL Experience

- 4.1 To quantify the JLL West End office agency's highly specific experience of the local market, we have been responsible for the disposal of 240,012 sqft of office accommodation and the acquisition of a further 92,839 sqft in Fitzrovia and neighbouring Euston in the past two years.

### 5.0 Investing in office buildings



- 5.1 With this 'flight to quality', the onus has been on landlords in prime central London locations to deliver high quality, refurbished buildings. Prudent investors are aware of this.
- 5.2 However, Boston House has not been comprehensively refurbished for 10+ years. As per the document submitted by RIB (titled Marketing Letter Appendix 3), the cost of refurbishing an office building to the appropriate specification can be in the order of approximately £100 per sqft. Landlords that have invested this sort of expenditure in refurbishments, have been rewarded by securing long leases. In fact, the average lease length of transactions in Fitzrovia over the past 18 months, for occupiers over 10,000 sqft, has been 13 years. Landlords who have invested in high quality refurbishments of their buildings have also been rewarded with shorter void periods and higher rental premiums. This has led to most landlords undertaking these speculative costs without delay, precisely because the returns have been so fruitful.
- 5.3 It is worth establishing why the owner of Boston House has not sought to make the appropriate refurbishment investment in this property, which evidence suggests would enable the office space to let successfully.
- 6.0 Proposed County House 'Swap'**
- 6.1 We raise concerns about the proposed 'swap' with County House for office accommodation, because the office spaces and facilities are not of comparable quality. County House is situated behind Boston House and is not easily visible due to the poor arrival experience, which is down an alleyway off Conway Street - whereas Boston House benefits from a commanding location on a garden square with a beautiful Grade 1 listed façade. County House also has fragmented floorplates and is partly residential, both of which lead to County House's accommodation not being suitable for many modern office occupier requirements, and certainly not comparable with the office space at Boston House.
- 6.2 RIB state that the interior of Boston House does not possess historic or architectural interest. In our view, this is actually seen as a positive attribute for an office building: Boston House provides beautiful characteristics for an excellent arrival experience, and also combines that with more modern office accommodation internally – when appropriately refurbished.
- 7.0 RIB Marketing Strategy**
- 7.1 RIB claim they were not permitted to install a letting board on Boston House. FSFGC would like to record that they were not formally asked about marketing boards by any party connected to Boston House during the three-year marketing period. Had a formal request been received, given the circumstances, they would have approved such action.

- 5.1
- 5.2 It would take an incredibly foolhardy Landlord to invest heavily in refurbishing Boston House, due to its undesirable style, especially with lease terms already plummeting, with occupiers commanding even more term flexibility than previous, as a result of the Covid-19 Pandemic - the inevitable length of void period and rent free period, and then the need to offer the new Tenant incentives to take their space, which falls flat on its face in location. compared with modern office buildings developed west of Tottenham Court Road, and south of Goodge Street.
- 5.3 The cost of a comprehensive refurbishment of this building has been assessed and provided to JLL by Thirdway Interiors. I struggle to believe that any Owner would risk such capital investment, to refurbish the building to a high quality standard on a speculative office development.
- In addition, it is easy for an Occupier to inspect the building, and envisage what it would look like fully refurbished, and if there were Occupiers who would take the building, or a substantial proportion of it, on a pre-let, then RIB would have found them, during their 2 to 3 year marketing campaign, which continues still, to this day.
- 6.0 Proposed County House 'Swap'**
- 6.1 It is both our understanding, and the advice of our planning consultant, that Camden's policy in terms of employment space does not seek to distinguish between various different categories of employment.
- County House is a mixed use building with Camden Council themselves occupying the upper part residential space, and we know of no complaints concerning the educational use. It is interesting to note that the owner of 34-35 Fitzroy Square is a committee member, and his own house in the Square was previously used for educational purposes, which establishes the historic planning use and character of the Square, namely a mix of D1 educational, offices, medical, and residential.
- 6.2 Tenants seeking period office space expect impressive historic period features internally, which Boston House does not enjoy. As RIB have advised, many Tenants have visited, expecting to see impressive period features, and were disappointed and deterred.
- Those Tenants seeking modern office space of similar size equally prefer a modern façade providing a creative image for their businesses.
- 7.0 RIB Marketing Strategy**
- 7.1 The 'proof of the pudding' in connection with the RIB marketing strategy, is that they failed to let the floors / building over a marketing period of 3 years – a total of 193 viewings with no success, speaks volumes, and a board may be superfluous.

7.2 The Committee (FSFGC) would encourage the property owner or agents to approach them regarding this matter if they still wish to market the property. Albeit, no doubt RIB will be aware, that from 10<sup>th</sup> July 2020, Camden Council are introducing a new rule to prohibit marketing boards, in conservation areas, that do not have prior planning approval.

## 8.0 The Policy E2 tests

8.1 Local Plan Policy E2 is exacting in its requirements. The supporting text (para 5.39) says: *"where a change of use to a nonbusiness use [meaning a use outside Class B] is proposed, the applicant must demonstrate to the Council's satisfaction that there is no realistic prospect of demand to use the site for an employment use. The applicant must submit evidence of a thorough marketing exercise, sustained over at least two years. The premises should be marketed at realistic prices, include a consideration of alternative business uses and layouts and marketing strategies, including management of the space by specialist third party providers."* It is our professional opinion that these criteria have not been satisfied, and that they it has not been established that there "is no realistic prospect" of continued office use.

Yours sincerely

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**Director**

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7.2

## 8.0 The Policy E2 tests

8.1 It is clear, and as mentioned throughout my reports, that the building is no longer desirable as an office. The fact it has been marketing for in excess of three years, without any success, solely demonstrates this.

*Research Report*  
*Jones Lang LaSalle Incorporated*

# *BOSTON HOUSE*

## *Marketing Report*

36-38 Fitzroy Square  
November 2019





Marketing Report

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## 9.0 Executive Summary

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- 9.1
- Boston House, London W1, is enviably located in the heart of Fitzrovia, one of the most sought-after office sub-markets in the West-End.
- 9.2
- Active demand in Fitzrovia was 1.4 million sq ft in Q3 2019, above the long term annual average of 1.2m sq ft – despite economic and political uncertainty.
- 9.3
- Supply in Fitzrovia decreased 10% in Q3 2019, partly due to a decline in the availability of second hand space akin to Boston House.
- 9.4
- Fitzrovia office take-up is well above the 10 year average; and above the take-up rate for the West End as a whole.
- 9.5
- As a consequence, the vacancy rate for the sub-market is comparatively low at 2% - particularly when considering that the vacancy rate for the West End currently stands at 3.7%
- 9.6
- The comparable transactions listed in the report, and the strong pricing levels achieved for second hand office space in the Fitzrovia sub-market, demonstrate the strong demand for sub-10,000 sq ft office floorplates.
- 9.7
- Boston House is capable of providing good office accommodation. The floorplates (approximately 3,000-5,000 sq ft) are regular in shape and are capable of being occupied efficiently on an open-plan or cellular basis.
- 9.8
- The Listed building offers a prestigious address with light, bright floorplates in a convenient location (two Underground stations are within 400 metres).
- 9.9
- Jones Lang LaSalle (JLL) is a global real estate business with 300 offices in 80 countries. JLL's London office has one of the most active office agency teams across the Capital. The team has prepared this report, which is a market review of the Fitzrovia office sub-market, with data and insight from JLL's leading Research Team, who track statistics for the Fitzrovia sub-market as well as the wider Central London market.
- 9.10
- It is our opinion that Boston House could provide Grade A, second-hand office accommodation for a diverse range of businesses; and would let with minimal void, particularly given the current market supply and demand dynamics.

## 9.0 Executive Summary

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- 9.1
- I agree that Fitzrovia is one of the most sought-after office sub-markets. Fitzroy Square as a location is off pitch, and is not in the 'heart' of Fitzrovia, where office Occupiers seek space.
- 9.2
- These figures are now historic and irrelevant, especially when considering the office market, during, and, post the Covid-19 Pandemic.
- 9.3
- Ditto.
- 9.4
- Ditto.
- 9.5
- Ditto.
- 9.6
- Ditto – please see hereunder.
- 9.7
- I have commented on this elsewhere within my cross-representation on the updated 2020 JLL report.
- 9.8
- Agreed.
- 9.9
- 
- 9.10
- I have commented on this elsewhere within my cross-representation of the updated 2020 JLL report.

10.0	Introduction	10.0
10.1	This report has been prepared for the Fitzroy Square Frontagers and Garden Committee as a market report relating to the subject building; Boston House, 36 – 38 Fitzroy Square, W1. Boston House is in the heart of the popular Fitzrovia sub-market; and is typical of many Fitzrovia office buildings: a period conversion offering good quality, well set out office accommodation.	10.1
10.2	The report is supported by statistics from the JLL research team, as well as market commentary and transactional data to evaluate the marketability of Boston House as B1 office accommodation, as well as the importance of the wider area as an office location to the London Borough of Camden and sub-market of Fitzrovia.	10.2

## 11.0 The Building

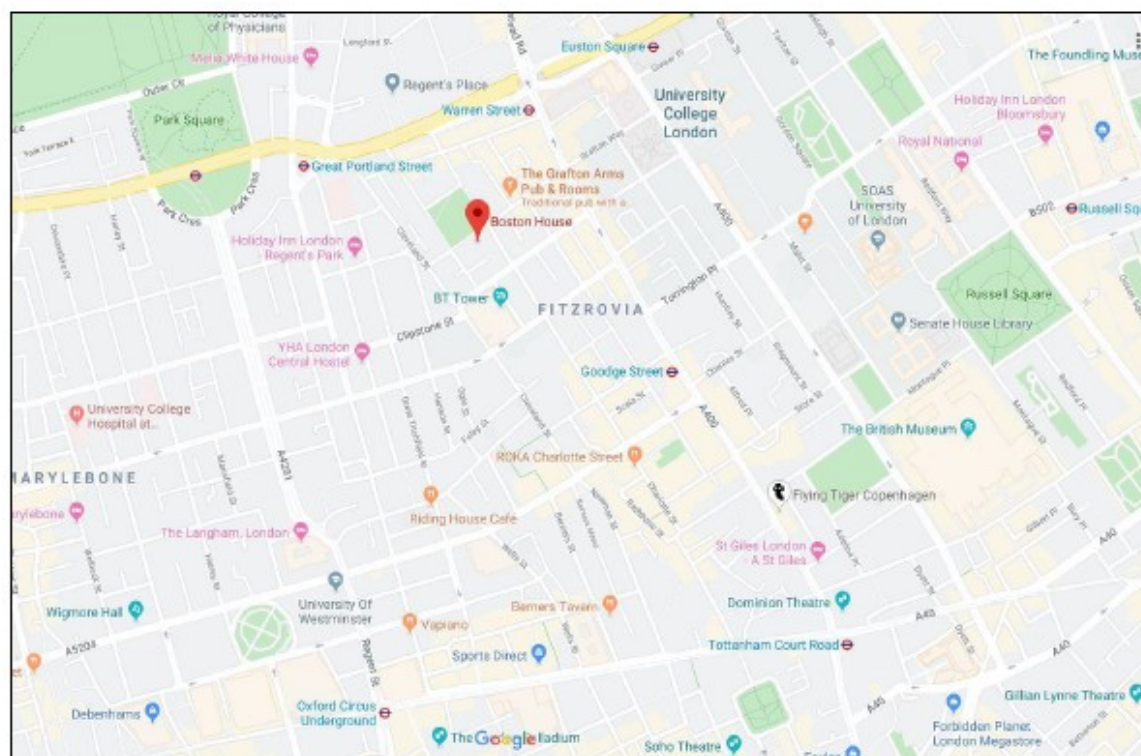
## 12.0 Location

**12.1** Boston House is located in the heart of the Fitzrovia office sub-market, within the London Borough of Camden, which has been one of the most attractive office locations in Central London over recent years. As a location, it is in an enviable position that drives talent retention for an occupier, largely because it has a diverse and vibrant local amenity offering and exceptional transport connections. The property is close to Tottenham Court Road, Euston and Regents Park, as well as being situated just a 400m walk from both Warren Street and Great Portland Street stations.

**12.2** Looking ahead, this offering will be complimented by the completion of the Elizabeth line, which will redefine London's geographical emphasis towards the Tottenham Court Road area and is expected to only improve the desirability of Fitzrovia for office occupiers.

**12.3** The result of these key characteristics has seen a diverse occupier base in the area, attracting more traditional media, advertising and TMT companies, as well as a surge in established banking and finance/corporate occupiers.

## 12.4 Location Map



Source: Google

## 11. The Building

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## 12. Location

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**12.1** I have commented on this elsewhere within my cross-representation of the updated June 2020 JLL report.

1

**12.**

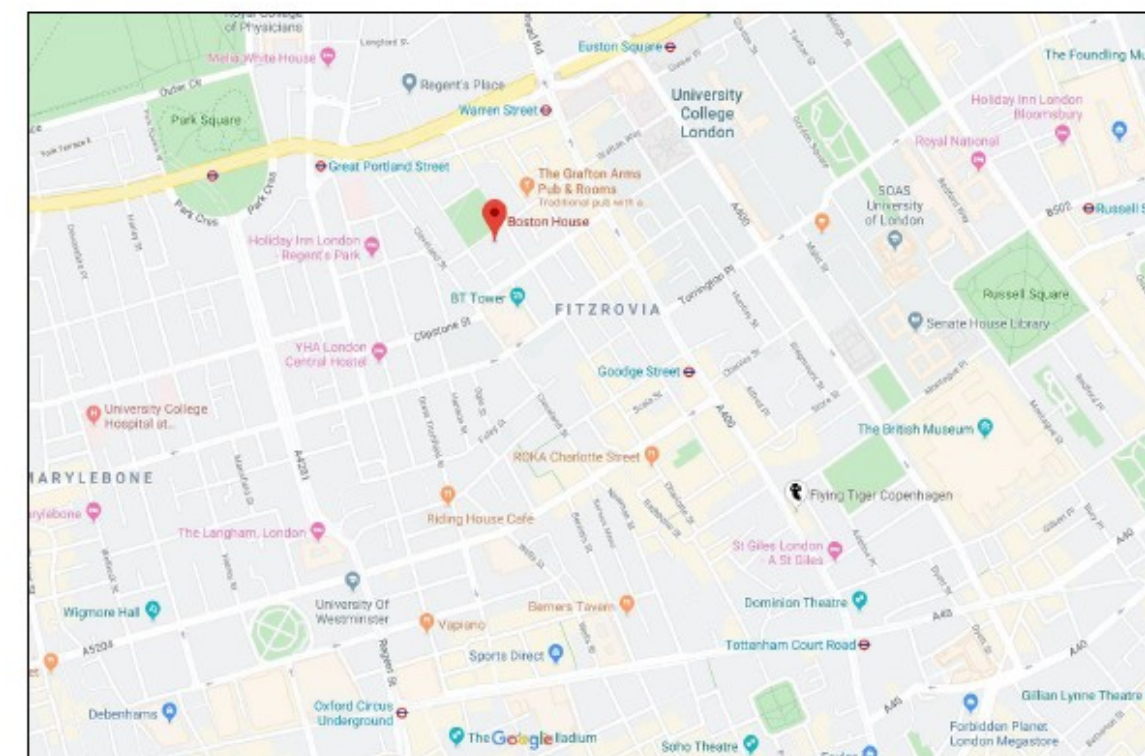
2

**12.**

3

## 12. Location Map

4



Source: Google

## 13.0 Building Description

**13.1** Boston House is a 21,754 sq ft office building in a row of 8 terraced properties, originally built in the late 1700's and rebuilt in 1946-1948. The office space is arranged over lower ground, ground and three upper floors, providing floorplates between 3,739 sq ft and 5,182 sq ft, which are typically well suited sizes for the small to medium sized businesses occupying within the local area. The building size and layout lends itself perfectly to either being let as a self-contained headquarters building, or let floor by floor as a multi-let office.

**13.2** The floor plates offer modern open plan office layouts, with excellent flexibility for an office occupier to fit out in a multitude of different ways, whether they choose a traditional, cellularised office space, or more modern and open plan working, or is also sub-divisible for smaller businesses. These regular, efficient and almost rectangular shaped floor plans are seen below.

**13.3**



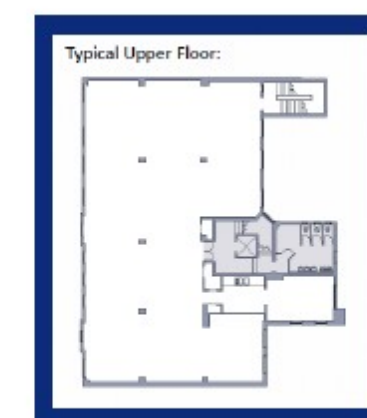
## 13.0 Building Description

**13.1**

**13.2** I have already commented on the diminishing demand for offices, especially small floors ranging between 3,739 and 5,182 sq ft, in multi tenanted buildings, sharing a single lift, entering directly into the space on each floor, via an equally small lobby.

**13.3**

**3**





## 14.0 Economic & Political Context

- 14.1** Economic growth continues to soften, as the uncertainty surrounding the UK's exit from the EU prevails. Second quarter 2019 GDP growth is now estimated to have contracted by 0.2%, with weak growth evident in the services sector. Recent PMIs suggest that sentiment over the third quarter was lacklustre, but the economy is likely to return to growth in Q3. July saw relatively strong GDP growth of 0.4%, but output is thought to have fallen back in the subsequent months and as a result, latest estimates from Oxford Economics suggest a Q3 growth rate of 0.3%.
- 14.2** The labour market remains a bright spot, with employment levels at record highs, which is part of the reason for the high levels of demand still seen in the West End office market.
- 14.3** Despite the uncertain political environment, strong leasing activity continued during Q3 totalled 3.0 million sq ft let in Central London, which was almost on a par with the previous quarter when 2.9 million sq ft was transacted. This brought the year to date volumes to 8.2 million sq ft which was above the 10-year Q1-Q3 average of 7.2 million sq ft, albeit marginally down on the same period in 2018. With over 4.1 million sq ft under offer - double the 10-year average - the outturn for the year is expected to be above the 10-year average of 10.1 million sq ft.
- 14.4** With the above economic uncertainty set to remain a prevalent theme for the foreseeable future, a refurbished Boston House would sit as a very attractive proposition for companies looking for a slightly more cost-effective occupation solution in a strong Central London location.

## 15.0 Market Dynamics - Fitzrovia

### 15.1 Supply

## 14. Economic & Political Context

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- 14.4** In November 2019, JLL only commented on economic growth softening as a result of protracted Brexit negotiations which, at the time of writing, remain an uncertain factor in our economy. The uncertainty has, if anything, increased given the prospect of a no deal or limited deal.

The labour market now, cannot now be described by any stretch of the imagination to be 'a bright spot'.

To the contrary, the unemployment levels will rise to record highs, and the outlook is gloomy.

Furthermore, bankers and lenders, are becoming risk averse concerning loans extended to carry out exactly the sort of speculative refurbishment which the Landlord would be forced to carry out if he was denied the option of converting the offices to D1 educational use.

The lack of supply of educational buildings would, it seems, allow the Landlord to pre-let the building whereupon refurbishment is justified.

## 15.0 Market Dynamics - Fitzrovia

These figures are now historic and irrelevant, especially when considering the office market during and post the Covid-19 Pandemic.

### 15.1 Supply

15.2 Total availability in Fitzrovia decreased by 10% in Q3, largely due to a fall in second hand space available and strong levels of take up. The fall in second hand space available supports the need for office accommodation such as Boston House.

## 16.0 Future Office Supply

16.1 Future supply constraints of office space in the West End continues to be a theme in the wider market and the lack of available stock in the development pipeline is another important indicator demonstrating the need for office space, no more so than in Fitzrovia.

16.2 There are currently four schemes under construction in Fitzrovia, totalling 410,970 sq ft (however, c. 360,000 sq ft is already taken as 'pre-let' space). In addition, there is a further 76,259 sq ft of space with planning permission and 118,000 sq ft at the pre-planning stage.

16.3 Full details of these schemes are outlined in the table and chart below, detailing the severe lack of available future office supply in the coming years.

15.2 Please refer to my previous comments above, where I anticipate a substantial increase in office vacancy.

## 16.0 Future Office Supply

16.1 Ditto.

16.2 We suspect that these are all far larger buildings than the subject building, and the fact that 360,000 sq ft was pre-let before the Covid-19 Pandemic is irrelevant.

16.3 Of 6 "comparables" only:

- A. Only 2 have been let- before the Virus took effect.
- B. The remaining buildings, which may or may not include the Network Building being redeveloped, leave less than 250,000 sq ft coming to the market

16.4

Scheme	Sq ft Offices	Status	Letting Status	Occupier	Expected Completion	Developer
80 Charlotte Street, W1	196,400	Under construction	Pre-let	Arup	Q1 2020	Derwent London
	123,500		Pre-let	Boston Consulting Group		
22-24 Berners Street, W1	40,070	Under construction	Pre-let	FORA	Q1 2020	Joint London Holdings
33 Charlotte Street, W1	18,000	Pre-planning	Spec		Q2 2020	Aberdeen Standard
Arthur Stanley House, W1	51,000	Under construction	Spec		Q3 2020	Westbrook and Mortimer Investments
1 Newman Street, W1	79,321	Under construction	Under Offer	Confidential	Q2 2021	GPE
Wells House, W1	76,259	Planning permission	Spec		Q2 2022	M&G Real Estate
The Network Building, W1	100,000	Pre-planning	Requires pre-let		Q4 2023	Derwent London

16.

4

Scheme	Comments
80 Charlotte Street W1	This building is not comparable to Boston House; 80 Charlotte Street is a 300,000 sq ft brand new development.
22-24 Berners Street W1	This building is not comparable to Boston House, the building is a brand-new development providing impressive modern office space, not a period nature.
33 Charlotte Street W1	This building is not comparable to Boston House; 33 Charlotte Street is a modern building with glass floor to ceiling windows and terraces.
Arthur Stanley House 52 Tottenham Street W1	This building is not comparable to Boston House; the building will provide a comprehensive refurbishment and extension to provide brand new space. The façade will be modern, the opposite of Boston House.
1 Newman Street W1	This building is not comparable to Boston House; the building is brand new and will provide fully glazed glass building overlooking Oxford Street, and thus the location is equally incomparable.
Wells House 134-140 Oxford Street and 77-84 Wells Street W1	Ditto.
The Network Building 97 Tottenham Court Road W1	This is another example of a large scale building that will provide ultra-modern purpose built office space, and is not comparable to Boston House.

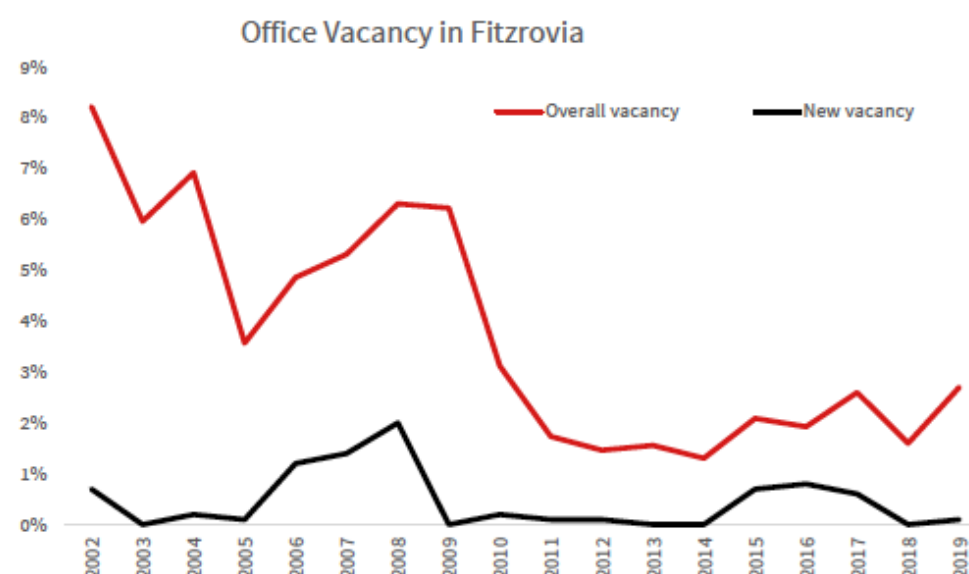
## 17.0 Vacancy

**17.1** The submarket's overall vacancy is just 2%, with the new build vacancy rate at 0.1% as shown in the graph below. This is considerably lower than the vacancy rate across the whole of the West End, which stands at 3.7%, highlighting the competitive nature of the office market in Fitzrovia.

## 17.0

**17.1** These figures are now historic and irrelevant, especially when considering the office market during and post the Covid-19 Pandemic.

17.2



17.2

## 18.0 Demand

**18.1** Active demand in Fitzrovia was 1.4 million sq ft in Q3 2019, which is above the long-term annual average of 1.2 million sq ft. Active demand has been driven by the services sector, which accounted for 46% of the total active demand in Fitzrovia, and has consistently risen due to the improving amenity levels in the area, as well as the excellent transport links and new businesses flocking to the area. Demand is particularly strong in the second-hand office market, where prices are more attractive given the surge in rental levels for prime office space.

## 18.0 Demand

**18.1** These figures are now historic and irrelevant, especially when considering the office market during and post the Covid-19 Pandemic.

## 19.0 Take Up

**19.1** There was a total of 114,000 sq ft let in Q3 2019, compared with 27,000 sq ft in the same period last year, demonstrating the current strong demand for office space in this area. The Q3 figure is well above the 10-year quarterly average of 63,050 sq ft.

## 19.0 Take Up

**19.1** These figures are now historic and irrelevant, especially when considering the office market during and post the Covid-19 Pandemic.

In addition, 114,000 sq ft in Q3 has reduced to 88,000 sq ft in the first two quarters of 2020.

**19.2** Year to date take-up in Fitzrovia also stands at 305,000 sq ft and is already above the 10-year average of 247,000 sq ft. This is in contrast to the West End as a total, where take up in Q3 2019 is 26% lower than the equivalent period in 2018, highlighting the positive sentiment towards Fitzrovia.

**19.2** These figures are now historic and irrelevant, especially when considering the office market during and post the Covid-19 Pandemic.

## 20.0 Recent Comparable Leasing Transactions

**20.1** To contextualise some of the positive sentiment towards similar floor sizes and specification to Boston House, we set out below recent pertinent transactions in the area which show the confidence in the sub-market, especially with regards to >10,000sqft floors and not necessarily brand new Grade A office buildings.

## 20.0 Recent Comparable Leasing Transactions

**20.1** We note that all the comparables provided range between 3,050 sq ft and 6,745 sq ft between May 2018 and May 2019.

Notwithstanding the fact that this is now a historic market, JLL has selected only the highest lettings achieved, and all lettings, with the exception of 1 Fitzroy Square, are buildings which are incomparable to Boston House – see my comments in the table hereunder.

In addition, JLL have failed to disclose the net effective rents which have been achieved, once rent free

periods, or other inducements offered, to Tenants have been taken into consideration, and I would request them to identify the net effective rents, as opposed to the headline rents, which will paint a very different picture.

## 20.2

Transaction Date	Property	Size (sqft)	Tenant	Achieved Rent (psf)	Lease Term	Comments
Oct 2019	Part 1 <sup>st</sup> , 90 Whitfield Street	3,050	London Newcastle	£79.25	5 years	Fitted out office suite in a refurbished building
Oct 2019	Part 3 <sup>rd</sup> , 90 Whitfield Street	6,745	Ekimetrics	£75.00	5 years, 3 year break	Refurbished office, only 1 month void
Oct 2019	Part 4 <sup>th</sup> , 90 Whitfield Street	6,265	One Savings Bank	£72.00	10 year, 5 year break	Refurbished office, 0 months void
May 2019	Part 4 <sup>th</sup> floor, 1 Fitzroy Square	4,000	Hindawi Ltd	£63.74	7.5 years	Unrefurbished Grade B
Mar 2019	2nd floor, 55, Wells Street	5,116	Mayfair Capital Investment Management	£83.50	10 years	New Grade A development
Mar 2019	2 <sup>nd</sup> floor, 33 Foley Street	3,557	Worklife Holdings Limited	£82.50	9 years	Newly refurbished Grade B
Dec 2018	Part 5 <sup>th</sup> , 180 Great Portland Street	4,515	James Grant & Company Limited	£75.00	Undisclosed	Refurbished Grade B accommodation
May 2018	Part 5 <sup>th</sup> , 180 Great Portland Street	4,754	Sard Verbinen & Co	£72.00	10 years	Refurbished Grade B accommodation

## 21.0 Commercial Terms

21.1 Considering market dynamics and the above comparable letting transactions, if Boston House was refurbished as an office building, we would expect the following lease terms to be achieved:

## 21.2

	Self-contained headquarters building	Multi-let office building
Headline Rent	£77.50 psf	£79.50 psf
Lease term	10 years	5 years
Rent free period	24 months	12 months
Void period	6-9 months	3-6 months

## 20.2

Property	Comments
90 Whitfield Street (3 lettings)	This is a 130,000 sq ft purpose built modern office building with full height glass windows on all elevations. The available space had been refurbished to standard CAT A and as a result this cannot be used as a comparable to Boston House.
1 Fitzroy Square	Direct comparable to Boston House, albeit the floor plates at 1 Fitzroy Square are far more efficient and easily occupiable than Boston House, and 1 Fitzroy Square benefits from an enhanced ground floor reception. However, JLL have inaccurately reported the details of the letting, which in view of the size being 4,358 sq ft, the headline rent was in fact £58.50 per sq ft, on better quality accommodation than Boston House.
55 Wells Street	This building is incomparable to Boston House. 55 Wells Street was a purpose-built office scheme delivering some of the highest quality office in Fitzrovia.
33 Foley Street	This is another example of a building which is incomparable to Boston House. 33 Foley Street was a comprehensive refurbishment / redevelopment of an ex warehouse style building and has been finished to provide some of the highest quality space in Fitzrovia. In addition, the building enjoys exceptionally efficient and useable floor space, which Boston House does not enjoy.
180 Great Portland Street (2 lettings)	This is incomparable to Boston House; the building provides large floor plates in excess of 10,000 sq ft, and benefits from a triple frontage ground floor manned reception.

## 21.0 Commercial Terms

## 21.1

21.2 I have commented hereabove on the net effective rents, which would show approximately a 20% discount from headline rents promoted by JLL.

JLL themselves suggest that a Landlord should anticipate a 6-9 month void period on a self-contained HQ building, over and above the rent free period expected to be offered as an incentive, and accordingly, a Landlord would incur a total equivalent rent free period of 2.5 years, which subsequently reduces the net effective rent to sub £60.00 per sq ft.



**21.3** It must be noted that current market trends are dictating that more occupiers are seeking 3<sup>rd</sup> year breaks and additional flexibility, but given the current strength of the market and lack of other options, it is expected for full floor lettings that a 5 year term certain would be achieved.

## **22.0 Response to Robert Irving Burns' Marketing Report**

**22.1** In response to Robert Irving Burns' (RIB) marketing review, dated Thursday 17<sup>th</sup> October 2019, we would like to highlight the following points:

**22.2** • The report states that RIB carried out 51 viewings of the property, demonstrating the strong demand for office space of this nature and in this location.

**22.3** • It appears coincidental that all feedback from viewings was identical. However, even for 'short leases', defined in the RIB report as 3 or 5 year terms, an office refurbishment would be viable given the rental tone of this building. This is largely because, given the limited supply of office space in the area as highlighted above, we would only expect a short void period for reletting at the end of the term.

**22.4** • It was surprising that the comments from all 51 inspections were identical, and perhaps more thorough investigation would have resulted in further feedback or indeed a successful letting. This is especially the case for occupiers such as WeWork and Service Office Group who typically seek 15 year leases and often fit-out offices themselves from any condition.

**22.5** • The evidence in the table of recent comparables (page 9) highlights that there is demand for longer leases in comparable buildings, rebutting the argument that it is extremely difficult to secure a longer lease in the current market.

**22.6** • It is reasonable to suggest that Boston House has not been let due to its current condition. The owner has chosen not to invest in improving the property to meet occupier demands.

**21.3**

## **22.0 Response to Robert Irving Burns' Marketing Report**

**22.1** Again, both reports are now outdated.

**22.2** The 51 viewings will comprise a mixture of people inspecting the property on the basis of a Freehold investment, Owner occupation, and leasehold basis.

We anticipate the majority of these parties would have been Investors, Developers, or Owner Occupiers, interested in a Freehold, whereby the location is less of an important aspect, unlike occupiers, who would prefer, and have the ability to acquire premises in a central Fitzrovia location.

**22.3** Whilst lettings may appear viable, with the Landlord experiencing voids on 3-5 year lettings, and having to grant large rent-free periods, a full scale modernisation, which is required in order to re-let, is unviable in today's market, as stated to hereabove.

**22.4** There was little point in going into detail with regard to the comments which did not result in a single letting.

**22.5** We have commented hereabove on the table of recent comps (page 15) which are all better quality buildings in a historic market, and concur with the view of RIB, at the time, and worse still today, that it will be extremely difficult to secure longer leases.

**22.6** I do not agree that the current condition of the property, which I inspected at the time, would have negated a letting, where the Owner would have improved the property subject to Occupier demand – the premises can be delivered to suit a Tenant's needs, whether fully refurbished to CAT A, or otherwise.

All options were open in the marketing campaign.

## 23.0 Conclusion

- 23.1 Boston House is an incredibly desirably located office building with fantastic volume and light to all the floors as well as offering flexible floor plates which are typically required by office tenants in the West End. The space would no doubt be well received in the market with a full refurbishment and well thought out marketing campaign.
- 23.2 The Borough of Camden has seen significant redevelopment in the office market over recent years, with the redevelopment of King's Cross most notable. This has resulted in a flurry of large occupiers relocating to the Borough and consequently boosted demand for office space in the local area.
- 23.3 The headquarter relocations of global tech giants such as Google and Facebook have encouraged other tech companies to move to the Borough, further increasing the demand for office space in the area. There is therefore a need for a variety of office space in terms of size of floorplate, rental value and condition to host not only the large global businesses but smaller businesses too, which Boston House could provide for perfectly.
- 23.4 In the current market, we are confident that Boston House would suffer a minimal void period and let on strong commercial terms.

## 23.0 Conclusion

- 23.1 A. Boston House is not an incredibly desirable office location, as JLL suggest.  
B. It does not have fantastic volume, and light to all floors.  
C. It does not offer flexible floor plates, typically required by West End office Tenants.
- 23.2 D. It would not be well received on the market, on a full refurbishment, and in any case, the market is likely to collapse.
- 23.3 E. Yes, there have been a flurry of large occupiers going to Kings Cross, where the larger floor plates have attracted the multi nationals - they would not be the slightest bit interested in a 20,000 sq ft, self-contained building in Fitzroy Square - whilst Facebook is on the southern boundary of Fitzrovia, Google are in Euston, and JLL's comment on headquarter locations on Global tech giants is misleading
- 23.4 F. It is my opinion that, there will be little demand for "a variety of office space" in terms of size of floor space, rental value, and condition.  
G. In the current market, I am far from confident that Boston House would suffer a minimal void period, nor would it let on strong commercial terms.



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#### About JLL

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. A Fortune 500 company, JLL helps real estate owners, occupiers and investors achieve their business ambitions. In 2016, JLL had revenue of \$6.8 billion and fee revenue of \$5.8 billion and, on behalf of clients, managed 4.4 billion square feet, or 409 million square meters, and completed sales acquisitions and finance transactions of approximately \$136 billion. At year-end 2016, JLL had nearly 300 corporate offices, operations in over 80 countries and a global workforce of more than 77,000. As of December 31, 2016, LaSalle Investment Management has \$60.1 billion of real estate under asset management. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated.

#### About JLL Research

JLL's research team delivers intelligence, analysis and insight through market-leading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our more than 400 global research professionals track and analyze economic and property trends and forecast future conditions in over 60 countries, producing unrivalled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.

**CONCLUSION**

**SIGNED:**

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**DATED:**

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