

Committee(s): Residents Consultation	Date(s): 02 June 2014	Item no.
Subject: 3 White Lyon Court, EC2 – Letting to XXXXXX		
Report of: Director of Community and Children’s Services		For Info
<u>Summary</u>		
<p>1. The property at 3 White Lyon Court has remained vacant since October 2013 when the previous tenant, BUPA Occupational Health Limited (BUPA), determined the lease by exercise of a break option. XXXXXXX is proposing development of the neighbouring building at 2 Fann Street (the former YMCA building) and has expressed an interest in leasing the premises for use during the redevelopment.</p> <p>2. This report, which is for decision, is to approve a letting to XXXXXXX at an exclusive annual rental of XXXXXX per annum from the 1st September 2014 for 24 months with a rent deposit of XXXXXX as collateral security and an initial 3 month rent free period to reflect the premises being taken on in its current state without the need for refurbishment by the City. The lease will be contracted out of S24-28 Landlord & Tenant Act 1954 thus denying the tenant security of tenure. Each party to bear their own legal fees.</p>		
Recommendation		
Members are asked to;		
<ul style="list-style-type: none"> • Approve the grant of a lease to XXXXXXX at a rent of XXXXXX per annum exclusive for a period of 2 years starting from 1 September 2014 subject to an initial 3 months’ rent free period plus payment of XXXXXX to be held as a rent deposit and with each party to bear its costs. • Instruct the Comptroller and City Solicitor to undertake any necessary documentation. 		

Main Report

Background

1. The premises at 3 White Lyon Court, EC2 comprise a self-contained office with an approximate net area of 376 sq. m (4,048 sq. ft.) which forms part of the Barbican Trade Centre. The premises has one entrance on White

Lyon Court and the windows (which serve less than 50% of the office accommodation) face 2 Fann Street which is soon to be redeveloped.

2. The premises were previously let to BUPA since October 1987. In 2012 BUPA exercised the lease break option of the lease and consequently the property was handed back to the City after the 12 month notice period with vacant possession in October 2013. The passing rent paid by BUPA for the premises was XXXXXX per annum at the expiry of the lease.

Current Position

3. Matthews & Goodman, Property Advisors, were retained to negotiate the terms of the new lease at a fixed fee of XXXX.
4. After negotiations an exclusive annual rent of XXXXX was agreed with XXXXXX Matthews & Goodman recommended the acceptance of the offer which equates to a rental of XXXXX per square foot and compares favourably with the open market office lettings and other rentals within the Barbican Trade Centre, namely, Launderette (XXXXper sq. ft.) , GSMD (XXXXper sq. ft.), Virgin (XXXXper sq. ft.), and Crèche (XXXXper sq. ft.).
5. XXXXXX is proposing to undertake refurbishment of 2 Fann Street and wish to use the premises as office space and for marketing purposes for the intended development.
6. The premises are currently vacant and the offer from XXXXX is for occupation from September 2014 for a period of 2 years subject to an initial 3 months' rent free period. This rent free period is based on XXXXX taking occupation of the premises 'as seen' rather than shell and core. The City is now responsible for rates on the premises of £45,125.00 pa following expiry of the relief period in January 2014. Early letting will relieve the City from the rates liability.

Options

7. There are two options for the premises; firstly to approve the proposed lease to XXXXX. Advantages of this option include:
 - Receipt of rental income from September 2014 which is beneficial to the City since it will receive an income on premises that are extremely difficult to market at this time, due to the Beech Gardens waterproofing project which commenced in November 2013 for a period of 62 weeks.
 - Avoidance of the difficulties in marketing of the premises with the probable disruption from the Beech Gardens waterproofing project,

and possible disruption from the Fann Street development which XXXXX is hoping to be able to start by the end of 2014.

- The location of the main entrance into the premises is located on White Lyon Court and access to this will be affected by dust, vibration and noise during the waterproofing project referred to above.
- The premises currently leaks and will continue to do so until the waterproofing works are completed for this area, which is at a later stage in the current Beech Street water proofing project. XXXXX are aware of this. This could have an impact on any letting especially during removal of the existing covering.
- XXXXX taking occupation of the premises 'as seen' rather than shell and core.
- Secondly engage a consultant to market the premises which, for the reasons above, would prove difficult for the property in it's current condition. The waterproofing works and the impact of the refurbishment of 2 Fann Street will have a negative impact on finding and securing commercial tenants at a full market rent. Additional costs could arise from the offices needing to be refurbished and an incentive package agreed.

Corporate & Strategic Implications

8. The proposed lease and the negotiations have been reviewed and are in line with commercial lettings and the market on the terms offered.

Implications

9. If the premises remain unoccupied then the City will continue to be liable for the rates at £45,125.00 per annum.

Consultees

10. The Chamberlain, Comptroller & City Solicitor and City Surveyor have been consulted in the preparation of this report and their comments have been incorporated.

Conclusion

11. The rental of XXXXX per annum exclusive represents a good open market rent for the premises, particularly bearing in mind that there will be local disruption from the City's Beech Gardens waterproofing project and possibly thereafter from the refurbishment of 2 Fann Street, both of which could hinder letting in the short term.

Background Papers:

BUPA Occupational Health

Report of: Director of Community & Children's Services (September 2007)

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