

<b>Committee(s):</b> Barbican Residential Committee – for decision Residents’ Consultation Committee (redacted report) for information	<b>Dated:</b> 28 June 2021 14 June 2021
<b>Subject:</b> Barbican Estate, Shakespeare Tower commercial letting to XXXX XXXXXXXXXX	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	All
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>Report of:</b> Director of Community & Children's Services	<b>BRC For Decision RCC For Information (redacted report)</b>
<b>Report author:</b> Rebecca Bello House Officer Barbican Estate Department of Community and Children’s Services	

### Summary

This report, which is for decision, seeks approval for a letting to XXXX XXXXXX for the Shakespeare Tower podium level commercial unit at an exclusive annual rental of £XXXXX per annum equating to £XX per sq. ft. with a six month’s rental deposit being held by the City. The lease will be for ten years with a mutual break option after five years subject to six months written notice.

The commercial unit at podium level Shakespeare Tower has remained vacant since the previous tenant, The City of London Police vacated. The lease will be contracted out of sections 24 to 28 of the Landlord and Tenant Act 1954 thus denying the tenant security of tenure. Each party will bear its own legal costs. There will be an initial seven month rent free period and the term is to commence upon completion of the lease with a rent review at five years.

### Recommendation

Members are asked to:

- Note the report.

### Main Report

#### Background

1. The premises at podium level of Shakespeare Tower comprise office accommodation of approximately 803 sq. ft. for the ground floor and 186 sq. ft. for the small mezzanine floor. The office was vacated by The City of London Police in December 2020 after a 12 month notice period, for much of which the office was unoccupied.

2. The market rental was assessed by property advisors BGL Partners at £XXXXXX per annum with the valuation taking into account the effect of the Covid-19 pandemic on property rents and transactions. Upon the advice of the City Surveyor, the Barbican Estate Office (BEO) marketed the property at offers in the region of £XXXXXX per annum (pa), passing rent from The City of London Police was £XXXXXX pa.
3. The BEO sent out the property details and an invitation to submit a proposal for the long term lease to over 50 contacts who had previously expressed an interest in letting commercial space on the Barbican Estate. Two formal offers were received to use the unit as office accommodation, subsequently one of these offers was withdrawn.

### **Current Position**

4. Offers for the lease were received from XXXX XXXXXX and XXXXXX XXXXX.
5. XXXX XXXXXXXX are a small, high profile, design led practice based in London and XXXXXXXX with a specialism in cultural and public projects, primarily in the performing arts sector. Lease terms as set out in the summary paragraph of this report.
6. The second offer was from XXXXXXXXXXXX XXXXXXXXXXXX who offered £XXXXXX per annum inclusive of VAT and insurance for a five or ten year lease with the office being for the sole use of their office staff. XXXXXXXXXXXX XXXXXXXXXXXX subsequently wrote to the BEO and withdrew their offer for the premises advising that their current landlord had made them an offer that they couldn't refuse.
7. I am recommending acceptance of the offer from XXXX XXXXXX which is a company owned by long standing Corporation of London residents of the Barbican Estate. XXXX XXXXXXXX intends to run its architecture practice from the accommodation, downsizing from larger accommodation in Central London. They propose opening up the space as a single volume, removing the small mezzanine level and sensitively remodelling the double height space. As a practice XXXX XXXXXXXX have undertaken a number of renovation and restoration projects within the Barbican Estate and understand the particularities and constraints of working with listed buildings. One of the Directors and the Senior Associate of XXXX XXXXXXXX have both been Barbican Estate residents and long lease holders for the last 12 years.
8. The agreed exclusive annual rental is £XXXXXX for a ten year lease with a seven month rent free period and a six month's deposit being paid to the City as collateral security.
9. Rental at £XXXXXX per annum from the recommended bidder, XXXX XXXXXXXX equates to £XX per sq. ft. (psf.). and is in excess of the suggested rental of £XXXXXX by the property advisor and represents a good return considering the impact of the pandemic on property rentals and transactions.

10. The rental represents good value for the City and is in excess of rentals achieved for other small commercial units on the Barbican such as Glas Architects John Trundle Court (£XXXX psf.), St Pancras Clinical Research 3 White Lyon Court (£XXXX psf.) Geranium Lauderdale Tower (£XXXX psf.) and the Cromwell music shop (£XXXX psf.).
11. It also compares favourably with the previous letting in July 2020 to Mueller Kneer, also architects and tenants on the other side of Shakespeare Tower for £XXXXXX per annum exclusive which equates to £XXXX psf.

### **Options**

12. The offer from XXXX XXXXXXXX will provide a good return for the City and compares favourably with previous commercial lettings on the Barbican Estate.
13. A financial appraisal has been undertaken on XXXX XXXXXXXX by the Chamberlain and confirms that the company appears satisfactory to meet the financial obligations of the proposed lease.

### **Legal implications**

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

### **Conclusion**

15. The acceptance of the offer from XXXX XXXXXXXX will enhance the estate and provide a welcome income to the City. The unit will be handed over in the current condition and the proposed tenant will be carrying out significant improvements and investing in developing the premises in a sympathetic manner.
16. In the BEO approaching parties who had expressed an interest in vacant property on the estate, the necessity and fees associated with engaging a property advisor to market and negotiate the terms of the new lease were avoided. With an uncertain property rental market due to the continued effects of COVID-19 and the potential risk of sourcing a new tenant for a vacant premises, it is preferable to accept the offer from XXXX XXXXXXXX.

### **Appendices**

- None

### **Rebecca Bello**

Community & Children's Services

T: 020 7029 3964

E: Rebecca.Bello@cityoflondon.gov.uk