

Fresson & Tee have kept the front page of this newsletter blank as a mark of respect to those who died or were injured on 7 July 2005.

**PROFOUND THANKS
TO THE EMERGENCY SERVICES
WHO RESPONDED SO
MAGNIFICENTLY**

How to save your property

It's easy to paint a gloomy picture of the world of business. The question is how people in property, those who rent it and those who own it, can save or make money in what appears to be a stagnant market for offices. The message is that while the economy is ailing and profits are falling, Fresson & Tee can help tenants reduce their bottom lines - and it can even help landlords.

Three years ago, the Royal Institution of Chartered Surveyors brought out a report by Capital Economics showing that occupiers waste £18 billion a year on inefficient use of property. It believes that cutting this waste would increase gross trading profits by up to 13%, dramatically improving the economic performance of UK plc.

The trouble is, property is rarely on the boardroom agenda despite often being the second highest business cost after wages. Many companies don't have an accurate assessment of their property costs.

The RICS says that owner-occupiers waste more space than tenants, losing up to £9.5 billion a year in potential cost savings. It has worked out that hot-desking and other new working practices could save British business a further £6.5 billion a year. It believes a 10% reduction in facilities management costs is feasible and would save £1.3 billion a year. British business could save a further £300 million a year by appealing against business rates bills. Many businesses which own property could sell and take a lease on it instead, to release cash to invest or reduce debt.

Today, the economy looks poor compared to 2002 when the report was produced. Businesses should be tightening their belts. Consumer confidence is down as is consumer spending and there is talk in the air of redundancies. There is talk about the number of jobless going up, even though this has not yet happened.

Does that mean there is instability in the economy? Plenty of the recent growth in the economy has been fuelled by people who have made a lot of money out of the growth in residential property whether by trading in properties or by re-mortgaging and releasing equity. Among them are house buyers who took mortgages at an initial two year low fixed rate - the lowest rates in decades. Many of these two year fixed periods are now

coming to an end and the uncertainty of variable rates and the generally higher cost of borrowing today means consumers will have less cash in their pockets from now on.

Businesses have had plenty of time to plan for a downturn, yet three years have gone by and most businesses have done nothing about their property costs, says Fresson & Tee. It's not an important issue as it is perceived as a fixed rather than a variable cost. This firm's findings back up this research. Many occupiers could save money on their property costs if they took professional advice from a property consultant and the RICS's research has proven this.

Having fallen for much of the last three years, office rents are now relatively static in many parts of Central London. The reported weakening retail sector raises a question mark on how retail and restaurant rents will perform in coming months. Some expect rents to fall in this sector as consumer spending and therefore profits remain static. In this stagnant economic period, are businesses doing the best they can with rents, with premises and with their bottom lines?

Tenants who acted on good advice when they took out leases are in a strong position. F&T has clients who took out leases between two and five years ago who are now able to look at either those leases coming to an end or they can take advantage of break clauses. Some of these tenants are paying between £25-£45 per sq ft in buildings now worth perhaps £15-£25 per sq ft.

F&T also reports enquiries from client companies who are exploring the cost of downsizing. "We are looking at whether some of our clients can renegotiate their existing leases or start new leases in new buildings" says F&T's David Shapiro.

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not have one," says David. "The lease still has five years to run, meaning the company faces a total liability of more than £5 million, depending on how much it can sublet its space for. We are employed to advise on its liabilities and take the lead in damage limitation whilst discussing restructuring options with its landlord." F&T is also exploring whether this company's business rates and service charges are correctly assessed.

A few landlords are taking a pragmatic approach. Where F&T has been representing them, some landlords have done well in this market.

Acting for landlords, F&T has renewed expired leases at £30 per sq ft in buildings that would not make £20 on the open market. Tenants were not aware they could renegotiate the rent down. "Wearing our landlord hat, we just offered the tenants new leases at the same rent as before," says David.

So the message is that if sales are down and confidence is low do not let apathy rule as there are still opportunities to trim costs and improve business's bottom lines.

Call David Shapiro on 020 7391 7100 if you would like to discuss your property issues.

*STOP PRESS

TO LET - ROOM WITH A VIEW

A client of Fresson & Tee is vacating its 5th floor 910 sq. ft offices on Euston Road. This air-conditioned space has good views across Euston and Kings Cross and is available by either a sublease or an assignment.

Either call for more information or visit the property for sale/to let pages on our website, www.fandt.com

For one major financial institution which occupies 40,000 sq ft in The City, F&T is looking at a range of options. The institution is paying approximately £45 per sq ft and has sublet 15,000 sq ft of its space for £20 per sq ft. That's costing F&T's client £375,000 a year to make up the difference - and the institution does not now need all of the remaining space it occupies. "The problem the institution has is that when it took the lease back in the early 1990's, there was no such thing as a break clause and its lease does

KX footballers brush off their boots

The second Kings Cross Business Forum seven-a-side football tournament will take place at Coram Fields on 22 September between 5pm and 9pm. There will be a barbecue and awards ceremony afterwards in the Foundling Museum.



Fresson & Tee



Somers Town

KXBF coordinator Ben Stephenson at the London Borough of Camden says he is expecting a maximum of 20 teams of seven people, all including two women, one of which has to be on the pitch at all times. Camden Council will be entering its own team. There is a trophy - which last year went to fitness and leisure operator Somers Town Sports Centre - and a golden boot award for the worst performer too.

"It's not about playing to win," says Ben. "It's about playing and meeting other businesses in the King's Cross area."

Last September, 16 teams came from all over King's Cross and included firms such as Lismore Recruitment and NatWest Islington.

Somers Town Sports Centre and Gray's Inn Road law firm Russell Jones & Walker reached the final. In a needle match, the score was level when referee and (by day) lawyer Michael Corcoran of Steeles blew the whistle. At the end, Somers Town's goalie sent the winning penalty into the net. The RJ&W team was sick as a parrot - but went on to enjoy the celebrations afterwards anyway.

Fresson & Tee, Centa, Steeles and Rayner Essex have again agreed to sponsor this year's event. Last year's sponsorship helped pay for the lavish after competition get together in local hostelry, The Norfolk Arms. This year, the football tournament is also part-funded by Camden Council.

KXBF is a network of existing King's Cross businesses, brought together by the Camden Council to keep a sense of business community as the developments around King's Cross go ahead. Funded through a London Development Agency grant, KXBF aims to create a new business identity that is separate but complimentary to the business district that will arise from the King's Cross developments.

KXBF does work for business. Fresson & Tee recently acquired 8,000 sq ft of industrial space on Grays Inn Road for a household name building contractor. The contractor made the enquiry through the KXBF who passed the lead to a host of local property consultants. Fresson & Tee's knowledge of the local market helped the contractor find the space it needed.

If you would like more information on KXBF, you can contact KXBF's coordinator, Ben Stephenson on 020 7974 6019 or its private sector chairman, David Shapiro on 020 7391 7100.



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estate agency services • valuation • rent reviews • building surveys
project management • party walls

King's Cross Property Indices

OFFICES

Summer 2004

YIELD 6.5 - 7.5%
RENT £20.00 - £30.00 per sq. ft

Summer 2005

YIELD 6.0 - 7.0%
RENT £17.00 - £25.00 per sq. ft



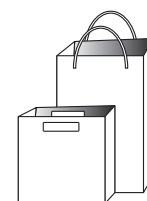
RETAIL

Summer 2004

YIELD 5.0 - 7.0%
RENT £30.00 - £65.00 per sq. ft

Summer 2005

YIELD 4.50 - 7.0%
RENT £45.00 - £65.00 per sq. ft



INDUSTRIAL

Summer 2004

YIELD 7.0 - 8.0%
RENT £10.00 - £12.00 per sq. ft

Summer 2005

YIELD 7.0 - 8.0%
RENT £8.00 - £10.00 per sq. ft



RESIDENTIAL

Summer 2004

1 BED
PRICE £215,000 - £235,000
YIELD 4.0% - 5.0%
RENT £215 - £275 per wk

2 BED PRICE
PRICE £277,000 - £385,000
YIELD 4.0% - 5.0%
RENT £275 - £350 per wk

Summer 2005

1 BED
PRICE £215,000 - £275,000
YIELD 5.0 - 5.0%
RENT £220 - £275 per wk

2 BED PRICE
PRICE £272,500 - £367,000
Yield 5.0% - 5.0%
RENT £290 - £400 - per wk



Bank Base Rate 4.75%

