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Corporate Services Scrutiny Panel
Scrutiny Office
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Our Ref
Your Ref

27 February 2015

BY POST AND E-MAIL:
scrutiny@gov.je

F.A.O. Deputy J A N Le Fondre

Dear Sirs

Corporate Services Scrutiny Panel – Jersey International Finance Centre Review

I refer to the letter and terms of reference for CBRE to comment to the Corporate Services Scrutiny Panel in respect of the Review of the proposed development of the Jersey International Finance Centre.

As you will be aware, CBRE are commercial property consultants who advise more clients than any other commercial property advisor within the UK and Channel Islands combining the market making of management consultants with the accountability of professional advisors.

We work with occupiers, investors and developers of office, industrial and logistic, residential, retail and hotel property.

CBRE provide strategic advice and execution for property sales and leasing, tenant representation, corporate services, facilities, property and project management, appraisal and valuation development services, investment management, energy & sustainability services and research & consulting.

Given our overall position and the potential that clients of ours may become involved, we feel that it is difficult for us to make a formal representation to the Corporate Services Scrutiny Panel in response to the terms of reference of the review. However, I would make to make some general observations in relation to the local office market and supply.

The estimated current total office stock in Jersey in the region of 2.8 million sq.ft. with a prime Grade A stock in the region of 1.5 million sq.ft.

Over the last 10 years, there has been approximately 470,000 sq.ft. of prime office accommodation which has been developed and taken up and therefore this reflects an annual take up of a gross nature of somewhere in the region of 47,000 sq.ft. per annum.

Naturally, this does vary from year to year, but this is the approximate average.

The current office supply, effective February 2015, for new grade A stock which is available totals something in the region of 580,000 sq.ft. excluding the proposed International Finance Centre and this is broken down as follows:

66-72 Esplanade	70,000 sq.ft.	Remaining availability under construction
27 Esplanade	35,000 sq.ft.	
29 Seaton Place	23,000 sq.ft.	
5/6 Esplanade	47,000 sq.ft.	
8/9 Esplanade	50,000 sq.ft.	
Former Southampton Hotel	13,000 sq.ft.	Under construction
19-22 Esplanade	36,000 sq.ft.	
22/24 Esplanade	26,000 sq.ft.	
Broad Street	280,000 sq.ft.	
Total	580,000 sq.ft.	

The above sites all have planning consent for development. They are owned by private experienced developers and provide a pipeline that would be deliverable between now and 2021 and therefore this provides a 5/6 year pipeline of office accommodation.

With the current proposed pipeline, excluding Esplanade Square, totalling 580,000 sq.ft., this provides an average availability of 58,000 sq.ft. per annum which is clearly significantly higher than the previous 10 year average.

With the potential for the International Finance Centre being developed, this will, in our opinion, provide a significant oversupply of office accommodation and therefore effecting future rental growth, capital values and therefore have an overall effect on the economy.

Investors and bankers will have less confidence in the market if they perceive an oversupply.

With regard to the actual current demand from occupiers for this type of office development, it is difficult to be precise, however, CBRE do have knowledge of certain requirements within the market and indeed are retained by a couple of major occupiers to identify and secure office space for them over the forthcoming few years.

Any new space requirements are, without exception, exclusively for occupation by existing locally operating businesses and therefore whatever space they do secure going forward, there will be existing space returned to the marketplace for re-letting and therefore actually reducing the overall net take up of space.

Having reviewed our knowledge of the market and the likely tenant requirements of space between now and 2024 there appears to be a maximum of 658,000 sq.ft. which is made up from the major existing occupiers within St Helier and their lease expiry/break option profiles.

It is obvious that in many circumstances, these tenants will not exercise their breaks and will choose not to relocate (eg. Bedell Cristin, Standard Bank) and even if they do, with the way buildings are developed, there will be efficiencies and reduction of accommodation with more agile working environment therefore reducing general office requirements in the future.

Therefore even if all of the major occupiers within St Helier were to look to relocate into prime accommodation from their existing prime accommodation, this can be comfortably housed within existing sites that have existing planning from private developers who have proven track records for development.

For the sake of clarity, we are not aware of any company wishing to come to Jersey of any magnitude. Certainly, none are awaiting the development of this area.

I appreciate that this maybe slightly different to the actual response to the terms of reference, however, I trust that it is of assistance.

I am happy to discuss this further with you if necessary.

Kind regards

Yours sincerely

JON CARTER
SENIOR DIRECTOR

CBRE