

One of London's greatest strengths over the past three centuries or so has been its ability to reinvent itself. The later decades of nineteenth century saw the capital being re-built: *"the public spaces, the railway termini, the hotels, the great docks, the new thoroughfares, the rebuilt markets, all were the visible expression of a city of unrivalled strength and immensity"*.<sup>1</sup>

A more recent re-invention followed 'Big Bang' in 1986, when financial deregulation led directly to two decades of transformation and to London becoming one of the top two global financial centres (a position it has shared with New York since). A whole new office building form emerged (large, deep plan, highly specified buildings), as global businesses poured into London, both in the new financial markets and associated professional services.

More recently we have witnessed the emergence of London as a global tech cluster, with Shoreditch and East London leading the way. Venture capital investment in London hit a record \$10.6bn in 2020 (fourth behind San Francisco, Beijing and New York); with nearly two-thirds coming from overseas (up from 50% in 2016). The UK tech start-up and scale-up ecosystem is valued at \$585bn – 120% more than 2016 and double to size of Germany.<sup>2</sup> By any measure, London's emergence as a global tech cluster has been phenomenal.

But it is not always business sectors that lead change. Sometimes areas of London go through rejuvenation, such as that currently being experienced by the West End, with important implications for London's office market. This brief paper pulls some of the strands together.

### The lap of luxury ...

The first point to make here is that the West End is not a single place, it is a patchwork of villages. Bloomsbury, Covent Garden, Fitzrovia, Marylebone, Mayfair and St James's, Piccadilly, Soho and Westminster; all have their own attractions and identities. The focus of national government and monarchy; historic buildings and public spaces; restaurants, pubs and clubs, theatreland, universities and institutions all attract huge numbers of visitors every year. One of the bellwethers of the West End's vibrancy is its retail scene – particularly luxury retail along Bond Street and Regent Street.

**Bond Street** was developed by Sir Thomas Bond in the 18<sup>th</sup> century. Old Bond Street to the south was built in the 1720s, and New Bond Street was developed to the north in the mid-1730s. Much of the Georgian architecture



remains unscathed above and around glitzy shop displays. The Bond Street area has for decades been synonymous with luxury jewellery, fine art and top hotels. It boasts both Bonhams and Sotheby's auction houses as well as Brown's, the Chesterfield, Claridge's, The Connaught, Langham Hotel and the May Fair Hotel. Hotel chains St Regis and Mandarin Hotel both plan to open new hotels in the area.

Over the past four years, Old Bond Street and New Bond Street have seen new store openings by Alaia, Alexander McQueen, Canali, Celine, Chloé, Givenchy, Loewe, LK Bennett, Michael Kors, Seiko, Stella McCartney and Vashi; while De Beers, Louis Vuitton, Ralph Lauren and Watches of Switzerland have all invested in major refurbishments.

**Regent Street** is, by any measure, a global draw for shoppers. Originally designed by one of London's most famous architects, John Nash, and completed in 1825, the street was almost completely remodelled between 1895 and 1927 into London's principal shopping district. And today, its iconic Beaux Arts facades hide a revolution in retailing in which brands have evolved from simple shops to 'concept stores' and 'immersive stores', complete with omnichannel shopping, experiences, galleries, workshops and screenings. A quick scan of store openings since 2018 shows the magnetic draw of the street to global brands.

### Global brands opening on Regent Street since 2018

Brand	Street No	Size sq ft	Opening
L'Occitane (French beauty)	74-76	6,450	2018
Peregrine Clothing (UK fashion)	78	2,608	2021
66 <sup>0</sup> North (Icelandic fashion)	100	3,500	2022
Uniqlo and Theory (Japanese fashion)	101-113	2,500	2022
Bally Haus (Swiss luxury)	106	4,300	2021
Marc Jacobs (US fashion)	110	2,666	2022
Burberry (UK fashion)	121	40,000	2018
A/X Armani Exchange (US fashion)	129	3,121	2022
Maje (French womenswear)	149-151	2,250	2018
Abercrombie & Fitch (US fashion)	150	5,300	2021
Gymshark (UK sportswear)	165	18,000	2022
Aesop (Australian skin care)	185-191	4,032	2022
H&M (Swedish fashion)	208	7,000	2019
Free People (US fashion)	247	3,100	2021
Onitsuka Tiger (Japanese sportswear)	249-251	9,300	2121

The success of London's luxury retail is an important indicator of its wider attraction to international business.

### From purchase to experience...

The rise in online shopping has meant that 'brick and mortar' have to offer something extra. Thus we have seen a growth in 'concept stores', where a

straightforward purchase is replaced by an experience. Fashion retailer H&M recently refurbished its Regent Street store, complete with a new Beauty Bar and H&M Rental, which offers customers the option of renting clothes, shoes, bags, and accessories. The store also hosts click and collect and self-service stations; and it has “*one of Europe’s biggest indoor LED screens with double 4k resolution*” which will have “*generative artwork and will be a creative display feature allowing customers to interact with the digital technology in real time*”.<sup>3</sup> It is a ‘concept’ store based on experiential retailing; the lessons for offices are clear.

Burberry’s 26,900 sq ft Regent Street store is based on the concept “World Burberry Live,” blending online and real life brand experience; complete with hydraulic stage designed to accommodate rock band performances. The Microsoft Experience Centre on Regent Street offers workshops, training, consultations and a gaming lounge. The Apple store on Regent Street has its Central Grand Hall, with theatre, The Forum, providing daily entertainment and learning events. Nike Town on Oxford Circus is laid out like a town across a massive 70,000 sq ft of specialist zones.

### Departmental decline ...

The rise of ‘experience’ contrasts sharply with the recent travails of department stores. Department stores have been at the sharp end of the online shopping revolution, and the result is a spate of decisions to convert landmark retail buildings in Oxford Street to (mainly) office use. The following decisions have been announced just since 2021.

- Owner of the 350,000 sq ft former **Debenhams** department store, Ramsbury, submitted a planning application to refurbish and extend the building. The new scheme will comprise 376,000 sq ft of office space and just 72,000 sq ft of retail and leisure.
- **John Lewis Partnership** is selling its eponymous 680,000 sq ft store as a development opportunity. A selected developer/investor will convert the building into a 300,000 sq ft store plus 300,000 sq ft of offices.
- Although they have since run into planning difficulties, **Marks & Spencer** revealed plans to redevelop its flagship Marble Arch store into three levels of retail and six levels of office space totalling 300,000 sq ft.
- Publica Properties is undertaking an extensive refurbishment and re-purposing of the 115,000 sq ft **House of Fraser** store to create restaurant and sports facilities, along with 145,000 sq ft of office space.
- A British Land and Norges Bank JV plans to redevelop the block above **West One Shopping Centre** at Bond Street Station. The scheme will deliver c100,000 sq ft of offices.
- In October this year, one of the largest private investors in London real estate, Lazari Investments, was reported to be in advanced talks to buy the 100,000 sq ft **Fenwick** store on Bond Street. Fenwick has operated on the site since 1891; and the whole site could be converted to office use.

In combination, the proposals promise around 1.3m sq ft of new office space in the heart of the West End, where it has become increasingly difficult to assemble large parcels of land for office schemes in recent years. There are also plans to redevelop the Selfridges site, including an element of offices.

If, and it is a big if, all these proposals mature into actual delivery then they will add to a recent spate of office schemes and begin to turn the heart of the West End into a key central London office market.

#### **An emerging office market ...**

While the fringe areas of the West End have seen significant development in recent years (eg: King's Cross, Paddington, Regent's Place and Victoria), the central areas have seen a dearth of new schemes. Derwent London has been prominent, creating high quality schemes at 80 Charlotte Street (326,000 sq ft, major occupiers including Arup and Boston Consulting Group) and 80-85 Tottenham Court Road (44,500 sq ft); with a new 137,000 sq ft scheme, Network, currently under-construction at 95-100 Tottenham Court Road, and pipeline schemes at 88-94 Tottenham Court Road (220,000 sq ft) and Holden House, 54-68 Oxford Street (150,000 sq ft).

The opening of the Elizabeth Line station has acted as a further boost. For example, GPE's new development, Hanover, built over the entrance to the new Bond Street station entrance on Hanover Square, includes 168,000 sq ft of new office space, which is already fully-let to firms including Glencore UK, Kohlberg Kravis Roberts & Co Partners LLP (KKR), Lexington Partners and UPL, as well as the new Maine Mayfair restaurant.

In Berkeley Square, Lansdowne House is set to be redeveloped by developer Co-RE and architect AHMM. The new 226,000 sq ft building has already been pre-let, in its entirety, to the world's largest alternative asset manager, Blackstone. Completion is not due until 2028.

A new joint venture between Grosvenor and Japanese developer Mitsui Fudosan has been formed to deliver a key element of a mixed-use development in London's Mayfair, directly opposite the western entrance of the new Bond Street Elizabeth Line station. Focusing on the North and South blocks of the South Molton Triangle scheme, the partnership will deliver c203,000 sq ft of office space together with shops, restaurants and cafes. Grosvenor will deliver the other phases of the project, including community, residential and additional retail elements and a 5\* hotel.

Developer Astrea has gained consent for the redevelopment of 50 Stratton Street and 50 Berkeley Street. The scheme will provide 270,000 sq ft of fully refurbished offices with rooftop terraces and a restaurant and retail space at ground level.

The following table summarises the West End's prospective offices schemes both in retail conversions and stand-alone schemes (over 100,000 sq ft). As can be seen, the 15 schemes promise around 3.1m sq ft of new office space.

**Prospective core West End office schemes, over 100,000 sq ft**

<b>Department store conversions</b>	
Debenhams	376,000
Fenwick's	100,000
House of Fraser	145,000
John Lewis Partnership	300,000
Marks & Spencer	300,000
West One Shopping Centre	100,000
<b>Sub-total</b>	<b>1,321,000</b>
<b>Stand-alone schemes</b>	
48-50 Jermyn Street & 180 Piccadilly	106,000
50 Stratton Street	270,000
88-94 Tottenham Court Road	220,000
440-449 Strand & 1-18 William Street	235,000
Holden House, 54-68 Oxford Street	150,000
Lansdowne House, Berkeley Square	226,000
Network, 95-100 Tottenham Court Road	137,000
New Zealand House, 80 Haymarket	242,000
South Molten Triangle	203,000
<b>Sub-total</b>	<b>1,789,000</b>
<b>Grand total</b>	<b>3,110,000</b>

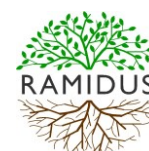
Only time will tell whether worsening economic conditions and/or the fallout from Covid-19 in terms of widespread hybrid working will cause some of these schemes to be re-thought. But as things stand, they promise to confirm the role of the core West End as a distinct office sub-market. Meanwhile, the West End fringes are also undergoing renewed interest from office occupiers. On the northern and eastern West End fringe, the life science sector is growing rapidly.

It should be acknowledged that there are a large number of life science schemes in the pipeline, beyond the West End, and there is residual concern that a supply bubble might be forming. It is also known that some of the larger tech occupiers have committed to space which they might now find difficult to fill (Meta recently decided to sub-lease its new 310,000 sq ft facility at Triton Square NW1).

**Scientific progress ...**

Until quite recently, the life sciences barely registered on the London real estate scene. A typically low density of use, together with specification demands, confined such space largely to suburban business parks. But as technology changes the nature of lab space, and as the wider attractions of city centre work – restaurants, bars, culture, leisure and shopping – become more important to staff, so the equation is changing.

The growth of life sciences is such that there is now a recognised shortage of life science space in London. MedCity recently identified over 500,000 sq ft of demand for life sciences real estate in London. The report stated that London's wet



laboratory innovation centres are all full, and that there is a desperate lack of provision for start-ups and small companies, who “*identify the lack of ready available property made fit for purpose, cost effectively and in locations that optimise their success as a primary barrier to growth*”.<sup>4</sup>

The West End hosts one of the best-known life science clusters, itself being part of the more broadly defined ‘knowledge quarter’. The area is home to the Alan Turing Institute, the Crick Institute, University College Hospital, University College London and the Wellcome Foundation.

**Proton Beam Therapy** Just south of the Euston Road, on Grafton Way, sits a new, rather anonymous building that speak volumes about what is happening in the life sciences generally in London. The c370,000 sq ft building is part of University College London Hospital, and it is one of just two NHS proton beam treatment facility, wherein work world-leading specialists in complex cancers. PBT is an innovative form of treatment that delivers energy directly to a tumour, thereby minimising the impact on surrounding healthy tissue, leading to fewer side-effects and reduced long-term consequences.

A number of well-known pharmaceutical companies are at various stages of making new commitments to the West End. In early-2022, **Astra Zeneca** opened its new 37,000 sq ft headquarters at King’s Cross, moving there from Luton. **MSD** (Merck Sharp Dohme in the USA) is making a £1bn investment in a new 220,000 sq ft Drug Discovery and UK HQ facility on Euston Road, WC1H, opposite King’s Cross station. The facility will be complete in 2025 and will employ 800 people.

**Eli Lilly** is searching central London for a 65,000 sq ft building. The firm’s UK HQ is in Basingstoke, where is moved into a new 45,000 sq ft facility in 2021. And at the time of writing, **GSK** is widely thought to be nearing a deal on a new 140,000 central London headquarters on the edge of the West End.

There are also a number of important new life science schemes coming forward, including those by Ashby Capital and Native Land at 105 Judd Street, WC1H (70,000 sq ft ‘life sciences hub’) and developer Stanhope opposite the Crick Institute, NW1 (400,000 sq ft of ‘lab enabled’ space).

### Corporate confidence ...

The growing interest in developing office space in the West End is, perhaps, a reflection of growing interest from corporate occupiers to locate there. Well before the Covid-19 crisis, corporate occupiers were placing health and wellbeing high on their list of priorities, along with the need to attract and retain expensive staff, which increasingly meant places and buildings with public realm, amenities and culture. King’s Cross, on the northern fringe of the West End has set a benchmark.

Research for this paper revealed 42 office transactions over 30,000 since the onset of Covid-19 in early-2020. In total these amount to almost 1.2m sq ft of lettings. Seven of these were larger than 100,000 sq ft and almost half were over 50,000 sq ft. Almost 40% of the space was leased to financial services firms (overwhelmingly investment management).

## Ramidus Consulting London Office Position Paper #4

### LONDON OFFICES: WEST END BOUYS

Fitzrovia is now a well established location for smaller creative, digital, media and professional services firms. Mayfair and St James's are more attractive to financial services, including asset management and wealth management. Bloomsbury is increasingly part of the life science cluster focused on UCL and UCH. Tottenham Court Road is popular with digital firms. Victoria remains popular with government and larger corporates.

#### Large corporate occupier moves in and around the West End, 2020-2022

Occupier	Sector	Address	Post code	Sq Ft
Dentsu Aegis	Marketing	Triton Square	NW1 3DX	312,000
Blackstone	Investment management	Lansdowne House, Berkeley Square	W1J 6ER	226,000
Capital Group	Investment management	Paddington Square	W2 6JR	225,000
Merck Sharp Dohme	Pharmaceutical	Belgrove House, Belgrove Street	WC1H 8AA	195,114
The Office Group	Flexible space operator	York Way, King's Cross	N1C 4AX	134,000
Perella Weinberg Partners	Financial services	80 Charlotte Street	W1T 4DF	110,000
Gamesys	Software	70 Berners Street	W1T 3NL	102,150
Twitter	Media	Airw1, 20 Air Street	W1B 5AN	89,581
Lazard	Asset management	20 Manchester Square	W1U 3PZ	78,500
Payment Sense	Fintech	Paddington Square	W2 6JR	75,452
Brevan Howard	Investment management	82 Baker Street	W1U 6AE	71,779
BP	Energy	20 Carlton House Terrace	SW1Y 5AN	69,000
Thought Machine	Fintech	7-11 Herbrand Street	WC1N 1EX	65,024

#### New frontiers ...

The fringes of the West End have seen a number of transformational projects come to fruition in recent years, not least among which we have Paddington and King's Cross – both spectacular successes. But the ring of campus schemes around the West End fringe continues to grow. While not strictly 'West End', these schemes will reinforce the vibrancy and attraction of the area as a whole.

Most immediately on the horizon is **Battersea**. The iconic power station was re-launched to much deserved fanfare in 2022. Much of the converted power station was pre-leased to Apple Corporation as long ago as 2016, when it took 500,000 sq ft for a new European HQ.<sup>5</sup> In November this year Battersea Power Station Development Company launched 50 Electric Boulevard, a 200,000 sq ft Foster + Partners-designed building on a high street with homes, retail, leisure and hotel.

Developer HB Reavis and architect AHMM are masterplanning the redevelopment of the area around London's busiest rail terminus – **Waterloo Station**. The latest plans show around 1.3m sq ft of new work and retail space, supporting up to 11,000 new jobs; a new retail destination and three acres of outdoor space, including three new, public areas populated with cafés, shops, restaurants and greenery.<sup>6</sup>

Finally, the new terminus for HS2 is a catalyst for the transformation of the whole **Euston Station area**. Lendlease is masterplanning the area above and around the station. A 60 acre transformation of the area will aim to reconnect neighbourhoods that have to date been divided by the station and its tracks. The development proposals include c3.5m sq ft of offices, 700,000 sq ft of retail and 2,000 homes.

In another form of frontier, yet another iconic retail store will be changing use. Global investment firm KKR bought furniture store **Heal's** on Tottenham Court Road and surrounding estate in 2021 from Columbia Threadneedle for £112m. It will partner with developer General Projects to transform the building into a mixed-use space, incorporating a new Heal's store on the lower floors. The upper parts of the new space will be transformed into 140,000 sq ft of maker workspaces and rebranded as The Manufactory, in a nod to the Grade II\* listed building's industrial heritage manufacturing furniture sold in the store.

#### Prospects ...

Working and shopping patterns are evolving rapidly, with a shift to offering 'quality' and 'experience' in both. Offices and shops are being transformed to deal with new priorities, including health and wellbeing, the ESG agenda and personal choice and preference. The West End is packed with fine restaurants, leisure and cultural experience, but has until now, been struggling with a legacy retail offer and unable to offer the business community much in the way of high quality workplaces.

There is now an opportunity for this to change radically and for the West End to emerge as the beating heart of central London, with a truly mixed use economy. New economy jobs are flourishing and corporate investment continues to rise and outpace European cities. There is however a qualification here.

For the West End to achieve its full potential, there remain a number of long-standing challenges. First, Oxford Street must be transformed from a polluting bus park into a pleasant urban boulevard. Secondly, the West End must be given more public realm: places to stop, rest, enjoy, socialise and nourish. Thirdly, secondary commercial premises (eg cheap offices and industrial premises) in the fringe areas must be protected to provide affordable space for small and micro businesses, start-ups and lower margin businesses.

If it can rise to meet these challenges, then a revitalised work and retail offer, together with its leisure and cultural offer, and the impact of Elizabeth Line connectivity, will cement the transformation of one of London's most important areas.

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