

3 THE SQUARE STOCKLEY PARK UXBRIDGE

Market Report

January 2024

Introduction

Cushman & Wakefield (C&W) have been instructed to provide a commentary regarding the marketing of 3 The Square, Stockley Park in response to questions raised by London Borough of Hillingdon during pre-application discussions regarding a proposed change of use of the building.

This report details demonstrates that C&W and their joint agents DTRE have actively sought to secure replacement occupiers prior to the vacation of the previous tenant (Canon) and throughout the building's subsequent vacancy.

The Agency Team

The office leasing team comprises the South East office agency teams from Cushman & Wakefield and DTRE, both of which are specialists in office leasing within the Thames Valley. Of the last 500,000 sq ft let on Stockley Park, C&W were involved in 77% (387k sq ft) and have historically been involved with every building at the development.

How long has the property been marketed for?

Considerable efforts were made by the landlord (BMO/Columbia Threadneedle) to retain Canon as an occupier at 3 The Square. Discussions and negotiations were held over several years, with increasingly competitive terms offered, to include a full refurbishment of the building at the landlord's cost.

However, Canon decided to relocate their operation to The Bower, 4 Roundwood Avenue, signing an Agreement for Lease on the whole building in August 2021. This allowed them to co-locate their UK and European headquarters from 3 and 5 The Square into a single building of 151,000 sq ft.

The Bower had already undergone a back to frame refurbishment to provide best in class offices and, having failed to secure an occupier for five years, the landlord there was willing to offer Canon very competitive financial terms.

From mid-2020, when the prospect of Canon's vacation at lease expiry in March 2022 became the likely outcome, as more of a likely outcome, the agency team commenced marketing the building and have made continued approaches to other occupiers and their representatives with potential office requirements in the area.

The team has had conversations with occupiers including, but not limited to, the following:

- Gilead – Currently occupy 2 Roundwood Avenue, Stockley Park with a lease expiry in December 2024. Are understood to have agreed a lease renewal with their current landlord.
- Hitachi – Continuing to explore relocation options but moved to near total 'work from home' policy.
- IHG – Moved to Windsor town centre, attracted by newly refurbished building and amenity rich location.
- McDermott – Still a live requirement but focus on West London.
- Arvato – Moved to Ditton Park, Slough due to much stronger amenity offering.
- Equinix – Decision to remain in existing premises in Slough.
- Wood Group - Under offer on brand new Grade A office building at Green Park, Reading.
- Accord Healthcare – Recently completed freehold acquisition of 7 Roundwood Avenue, Stockley Park.
- Otsuka - Moved to Windsor town centre, attracted by newly refurbished building and amenity rich location.
- British Airways – Move from existing premises dependent on progress of Heathrow's third runway. Current HQ sits within area subject to CPO but only if R3 proceeds which is currently on hold.
- Hasbro – Renewed lease at existing premises (4 The Square, Stockley Park)

Despite making these approaches, none of the occupiers have deemed 3 The Square appropriate for various reasons including the configuration of the floor plates, quality of the accommodation and weak amenity offering on the park relative to other locations.

Occupiers are now generally taking less space but in the best quality buildings on amenity rich business parks or in town centre locations, a trend which has accelerated following the pandemic.

The following schedule details the office requirements that have been targeted by the leasing team for 3 The Square from September 2021 to January 2024. This includes both the approaches detailed above and occupier requirements circulated to the market during this period. It is common for the occupier's identity to be kept confidential (Undisclosed) by their retained agent but we have named them where they were disclosed.

It is also important to set this in the context of the viability appraisal provided (see below) which shows a significant loss even if the building were to be pre-let to a single tenant.

Tenant	Date	Search Area	Size (sq ft)	Use	Agent	Comments
Undisclosed	Jan-24	Uxbridge and surrounds	5,000 - 6,000	Office	JLL (Zara Trower)	Live requirement. Details of 3 The Square provided but unlikely to be suitable.
Undisclosed	Jan-24	Staines	4,000 - 8,000	Office	Robert Woodland-Ferrari (Ferwood)	Live requirement. Details of 3 The Square provided but unlikely to be suitable.
Undisclosed	Dec-23	M4 Corridor (Heathrow to Reading)	8,000 - 12,000	Office	Brian Pickett (BDT)	Live requirement. Details of 3 The Square provided but unlikely to be suitable.
Project Dragon Fruit	Oct-23	M4 Corridor	100,000	Office/Workshop	JLL (Matt Parry)	Very high power requirement (5 MVA) which rules out most locations.
Undisclosed	Oct-23	Heathrow, Uxbridge and Windsor	4,000 - 6,000	Office	Charlie West (Graham&Sibbald)	Stockley Park discounted. Town Centre options only being considered.
CNOOC	Sep-23	M4 (to Maidenhead) and West M25	30,000 - 40,000	Office	Greg Carter (Gerald Eve)	Live requirement. Details of 3 The Square provided. Town centres likely to be favoured.
Cisco Systems	Aug-23	Heathrow and Surrounds	50,000 - 150,000	Office	Zara Trower (JLL)	Details of 3 The Square provided. Strategic review ongoing involving Bedfont, Reading and London offices.
Undisclosed	Aug-23	M3 Corridor into London	40,000 - 65,000	Office	Lewis Holmes (Cushman & Wakefield)	Requirement has been paused whilst further workplace analysis undertaken.
Stratford Padel Club	Jul-23	Greater London	10,000 - 35,000	Sports Facility	James Forster (Metric RE)	Occupier requires 6.5m eaves height on existing buildings and change of use. Therefore, 3 The Square discounted.
Undisclosed	Jul-23	Heathrow and Surrounds	8,000 - 12,000	Office	Antony Rapley (Sneller Commercial)	Requirement no longer live.
Project Juno	Jul-23	M4 Corridor and West London	100,000 - 150,000	Office	Chris Williams (CBRE)	Live requirement. Details of 3 The Square provided.
The Home Office (Immigration Centre)	Jul-23	Greater London	60,000 - 100,000	Immigration Centre	Lewis Holmes (Cushman & Wakefield)	Immigration centre for asylum seekers, use unsuitable to Stockley Park.

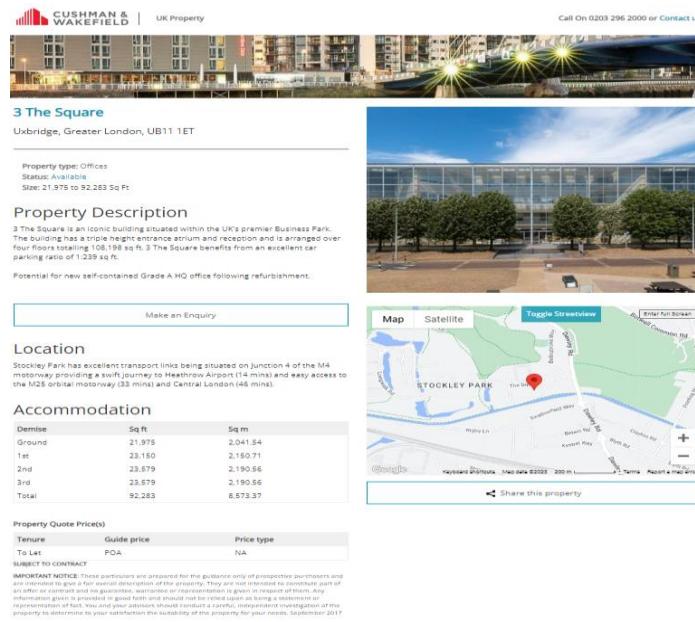
Undisclosed	Jul-23	M4 to Reading, Basingstoke and Newbury	5,000 - 6,000	Office	Freddie Stork (Colliers)	High-quality fitted space on a short-term basis (12-24 months). Unviable requirement to accommodate. Therefore, 3 The Square discounted.
Undisclosed	May-23	M4 Corridor	25,000 - 30,000	Office	Lewis Holmes (Cushman & Wakefield)	Shortlisted only town centre locations or business parks with stations. Therefore, 3 The Square discounted.
3M	Mar-23	M4 Corridor	30,000 - 40,000	Office w. part laboratory	Sam Lewis (Colliers)	Priority for self-contained building. Therefore, 3 The Square discounted.
PepsiCo	Apr-23	Reading and Surrounds	30,000 - 50,000	Office	Sam Lewis (Colliers)	Occupier required best in class space with strong onsite amenity. Therefore, 3 The Square discounted.
Travelport	Mar-23	Chiswick, Hammersmith, Heathrow and Slough	10,000 - 20,000	Office	Ed Hoyle (Knight Frank)	Occupier's building was due to be redeveloped, however delay to construction so requirement paused.
Undisclosed	Mar-23	Heathrow, Uxbridge, Staines, Weybridge	12,000 - 15,000	Office	Kate Clark (JLL)	Only considering single floor and fitted options. Therefore, 3 The Square discounted
Undisclosed	Mar-23	M4 Corridor	7,000 - 10,000	Office	Square Foot Consulting (Ian Pearson)	Require building with immediate access to Crossrail. Therefore, 3 The Square discounted.
Lego	Mar-23	Slough and Surrounds	30,000 - 40,000	Office	Roland Jordon (CBRE)	Located in Slough and search focused on this area. 3 The Square discounted.
Undisclosed	Jan-23	Heathrow and Surrounds	3 to 15 acres	Storage and Parking	Imogen Tonnesen (Gerald Eve)	Land for car parking and open storage sites. 3 The Square discounted.
Teledyn	Jan-23	Heathrow and Surrounds	5,000 - 7,000	Office	Ally Brooks (Cushman & Wakefield)	Requirement high quality office space on Stockley Park for immediate occupation Therefore, 3 The Square discounted. Signed lease at 1 Furzeground Way.
Undisclosed	Jan-23	Slough Estate	8,000 – 12,000	Office	Toby Brooks (Altus)	Slough focus only. Therefore, 3 The Square discounted.
HikVision	Dec-22	M4 Corridor (Heathrow, Uxbridge, Slough)	20,000 - 30,000	Office	Knight Frank	Requirement no longer live
KP Snacks	Nov-22	Slough (+ 4 miles)	7,000 – 12,000	Office	Claire Lane (Bray Fox Smith)	Require best-in-class building with quality amenity offering. Occupier based in Slough. Therefore, 3 The Square discounted.
Undisclosed	Oct-22	Berkshire, Buckinghamshire and Oxfordshire	50,000 - 60,000	Office	David Raymond (Stint)	Occupier wants building for private specialist hospital. Change of use required. Therefore, 3 The Square discounted
Undisclosed	Oct-22	Heathrow, Maidenhead and Slough	3,000 - 4,000	Office	Freddie Stork (Colliers)	Occupier requires small fitted suite with significant onsite amenity. Therefore, 3 The Square discounted.

Undisclosed	Oct-22	Heathrow	5,000 - 8,000	Office	Ellie Collett (C&W)	Requirement no longer live
Undisclosed	Oct-22	Berkshire, Buckinghamshire and Oxfordshire	50,000 - 60,000	Office	David Raymond (Stint)	Requirement for private hospital. Required change of use. Therefore, 3 The Square discounted.
McDermott	Sep-22	Hammersmith to Reading (M3 & M40)	70,000 - 80,000	Office	Serena Goodhart (CBRE)	Focus on quality Grade A space in West London. Therefore, 3 The Square discounted.
Black & Decker	Aug-22	Slough (+10 miles)	10,000 - 20,000	Office	Olivia Hughs (Colliers)	Require best-in-class building with quality amenity offering. Therefore, 3 The Square discounted. Under offer at Tempo, town centre Maidenhead.
Undisclosed	Aug-22	Bracknell (+10 miles)	50,000	Office	Olivia Hughs (Colliers)	Feasibility study for occupier, believed to be Honda. Understood occupier is exploring renewal of lease at existing premises
Accord Healthcare	Aug-22	West London to M25	30,000	Office	Jonathan Aiken (CBRE)	Freehold only, therefore 3 The Square discounted. Acquired 7 Roundwood Avenue.
Balfour Beatty	Jun-22	Slough and Surrounds	7,000 - 10,000 SF	Office	Ben Harris (Savills)	Occupier's building was due to be redeveloped, however delay to construction so requirement paused.
Hasbro	Jun-22	Heathrow, West London and Surrounds	25,000 - 35,000 SF	Office	Chris Lewis (DeVono)	Renewed lease at 4 The Square, Stockley Park.
Equinix	May-22	Slough and Surrounds	8,000 - 12,000 SF	Office	Charlie West (JLL)	Renewed lease at existing premises in Slough.
Gilead	May-22	Stockley Park		Office		December 2024 expiry at 2 Roundwood Avenue, Stockley Park. Understood to be renewing lease at current premises.
Hitachi	Apr-22	Heathrow-Slough	20,000	Office		Continuing to explore relocation options but have moved to a majority 'work from home' policy.
IHG	Apr-22	Windsor	25,000	Office		Moved to Windsor town centre, attracted by newly refurbished building and amenity rich location.
McDermott	Mar-22	Heathrow	15,000	Office		Became a live requirement following initial approach but focus is on West London.
Mar-22 - Canon lease expiry and vacation of 3 The Square						
Avarto	Jan-22	Slough	10,000	Office		Moved to Ditton Park, Slough due to much stronger amenity offering.
Wood Group	Jan-22	Reading	120,000	Office		Moving to Green Park, Reading.
Otsuka	Dec-21	Windsor	8,000	Office		Moved to Windsor town centre, attracted by newly refurbished building and amenity rich location.
British Airways	Oct-21	Heathrow	TBC	Office		Move from existing premises dependant on progress of Heathrow's third runway. Current HQ sits within area subject to CPO but only if R3 progresses.
Hasbro	Sep-21			Office		Early engagement did not achieve result. Became live requirement in Jun 2022 which ultimately resulted in occupier renewing lease at current premises (4 The Square, Stockley Park)

How was the property advertised?

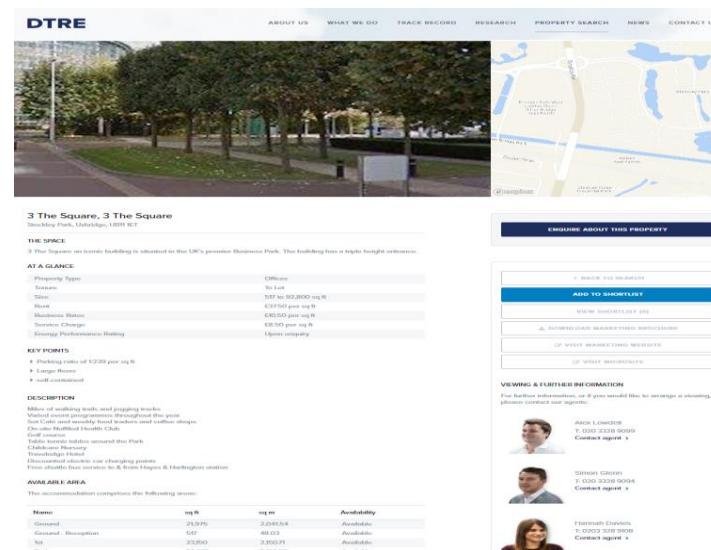
3 The Square has been listed as available on the following websites and platforms:

- Agents Society – Direct publication to 1,200 industry professionals with live occupier requirements.
- Costar – Real Estate industry availability platform
- Cushman & Wakefield's website - <https://cushwakeproperty.co.uk/our-property/propertydetails/available/uxbridge/offices/3-the-square/2227rm00/221814>
- DTRE's website - <https://dtre.com/search/properties/117459-3-the-square-3-the-square-uxbridge>



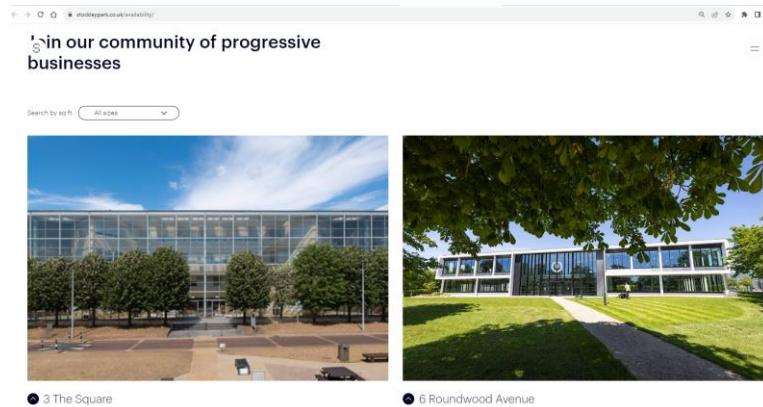
The screenshot shows the Cushman & Wakefield UK Property website listing for 3 The Square, Uxbridge. The page includes a large image of the building, contact information (Call On 0203 296 2000 or Contact us), and a detailed description of the property. The description highlights its location in Stockley Park, its triple-height entrance, and its excellent car parking ratio. It also mentions potential for new self-contained Grade A HQ office following refurbishment. The page features a 'Make an Enquiry' button and a map showing the property's location relative to Stockley Park and other landmarks.

- DTRE's website - <https://dtre.com/search/properties/117459-3-the-square-3-the-square-uxbridge>



The screenshot shows the DTRE website listing for 3 The Square, Uxbridge. The page features a large image of the building, a map of the area, and a detailed description of the property. The description includes information about the building's features, such as its triple-height entrance and excellent car parking ratio. The page also includes a 'VIEW PROPERTY' button and contact information for agents.

- Stockley Park website - <https://stockleypark.co.uk/availability/>



NB. Estate management rules state that letting boards are prohibited on Stockley Park and therefore no such action could be taken.

Marketing Material

A professionally designed marketing brochure was produced and provided to prospective occupiers and their advisers. Schemes were also drawn up showing how the building could be refurbished. The brochure can be downloaded from both agents' websites, extracts from which are shown below.

The marketing material includes the following components:

- Interior Re-Imagined:** A collage of three images showing modern office interiors with desks, chairs, and plants.
- Floor Plan:** A detailed floor plan of a typical floor, showing various rooms and areas labeled.
- Reception Area:** A photograph of a modern office reception area with a large white desk, a blue sofa, and a black chair.
- Logo:** A stylized graphic logo with blue and yellow curved lines and dots.
- Explore the Possibilities:** Text encouraging exploration, with the tagline 'EXPLORE THE POSSIBILITIES'.
- Exterior Images:** Two photographs of the building's exterior, labeled '3 The Square' and '6 Roundwood Avenue'.
- Building Details:** Text describing the building's location as 'The Square, Stockley Park, Uxbridge, Middlesex, UB1 1ET' and its features as 'a state-of-the-art building situated in the UK's premier Business Park'.

Rental Levels & Viability

In setting a quoting or guide rent, consideration needs to be given to several factors including recent transactional evidence, other space being marketed locally, the scale of the building/unit in question and the cost of any refurbishment works required.

As the table in the Availability section shows, quoting/guide rents for space that has already been refurbished at Stockley Park are currently between £35 and £39 per sq ft.

In terms of evidence, there were only four occupier transactions at Stockley Park during 2022 and 2023 totalling 80,000 sq ft as follows:

Date	Building	Unit/Floor	Size (sq. ft)	Lease Type	Grade of Space	Occupier	Rent £psf	Lease (years)	Break (years)	Rent Free / Incentive (months)
Sep-23	7 Roundwood Avenue	Whole	37,900	Freehold sale	Grade A	Accord Healthcare	c7.9m	n/a	n/a	n/a
Sep-23	Union	Part 1st	6,064	New Lease	Prime Grade A	Teledyne	£ 39.00	10	6.5	18 + 4
Mar-23	Union	2nd	24,340	New Lease	Prime Grade A	Keyence (UK) Limited	£ 39.50	5	3	8
Jul-22	4 Longwalk Road	Part 3rd	13,448	New Lease	Grade A	Premier League	£ 38.00	10	5	18 + 6

Rent free periods and other incentives are often kept confidential but typically represent 18 months rent for every 5 years' term certain.

The above factors are all taken into account by Columbia Threadneedle's independent valuers who, in their most recent valuation (September 2023) adopted a rent achievable of £34 psf with a 2 year rent free period for 3 The Square which reflects its scale and layout.

We therefore adopted those inputs, together with the latest building cost assessments, in the viability appraisal provided (October 2023) which shows a loss of c £9m, even if the entire building were to be pre-let to a single tenant.

For a letting of 3 The Square in continued office use (former use class B1(a)) to be viable there would therefore need to be a significant increase in the market rent achievable, an uplift in occupier demand and a marked improvement in the investment yield/capitalisation rate, none of which are realistic to assume in the foreseeable future.

The building would also be unsuitable for conversion for former class B1(b) and (c) uses for the following reasons:

- Physical - number of floors, layout, design and cladding (glazing/winter gardens), slab to slab heights, floor loadings, business park environment, access for vehicles etc
- Viability – rents would be significantly lower than office use (which is itself unviable) and other constraints (conversion costs, investment market).

Stockley Park Availability

The table below outlines the space available on the park:

	Size (Sq Ft)	Specification / Condition	Guide Rent (per sq ft)
Current Availability			
1 Roundwood Avenue	19,431	Part Fitted	£35.00
3 Roundwood Avenue	21,000	Fitted	£36.00
6 Roundwood Avenue	52,405	Grade A refurbished	£39.00
2 The Square	33,540	Fitted	TBC
5 The Square	57,668	Grade A refurbished	£37.50
1 Furzeground Way (Union)	17,075	Grade A refurbished	£38.50
3 Furzeground Way	33,545	Grade A refurbished	£120 psf – F/H (vacant 06/24)
4 Longwalk Walk	11,187	Fitted	£39.00
Sub-Total	245,851		
Pipeline			
1 The Square	57,668	Unrefurbished	F/H u/o @ c£75 psf (vacant)
3 The Square	93,055	Unrefurbished	£37.50
1 Longwalk Road	70,474	Unrefurbished	Not Quoting
2 Longwalk Road	48,724	Unrefurbished	Not Quoting
4 Furzeground Way	38,732	Unrefurbished	Not Quoting
3 Longwalk Road	111,913	Unrefurbished	Not Quoting
2 Furzeground Way	53,000	Unrefurbished	Not Quoting
Sub-Total	473,566		
Total	719,417		
Total built office stock	1,530,000	sq ft	
Vacancy rate		47%	

Available office space at Stockley Park is at an all time high with 720,000 sq ft equating to a vacancy rate of c. 47% across the park as a whole.

This equates to 17 years' supply of office space, based on the last 2 years annual average take up, a stark illustration of why Stockley Park needs to diversify.