

PRIME MINISTER

RENTAL CHARGES FOR GOVERNMENT PROPERTY: RICHMOND YARD

The Efficiency Unit's note below at flag A responds to your question at the recent meeting with Sir Robin Ibbs about the appropriate rent to be charged to ODA for Richmond Yard.

The note says that ODA are to be charged £17.50 per square foot. This is not quite right as the note at flag B from Gordon Manzie, Chief Executive PSA, explains. The rent for Richmond Yard has not yet been determined. The £17.50 was used only for planning and investment appraisal purposes. This figure will be reviewed in the light of market rents at the time and a firm figure determined when ODA take occupation in autumn 1987.

The Efficiency Unit go on to say that on the basis of nearby commercial rents, Richmond Yard might be expected to command £19-20 per square foot, excluding any special premium for its central location within Whitehall. Though perhaps a bit on the high side, this does not look out of line with the market comparitors cited in paragraph 3 of Mr. Manzie's note. [The £30 for 7 St. James Square, referred to in paragraph 5, reflects, so I am told, that building's West End location, rather than its proximity to Whitehall. But this prompts the question why the Royal Fine Art Commission and Museums and Galleries Commission should be lodged in such a relatively expensive building.]

If you agree, I will minute PSA emphasising the importance which you attach to their determining the Richmond Yard rent in the light of the market rents of nearby properties, including any special premium chargeable for the building's central position in the Whitehall complex. Agree? *Yes Mr*

Though a small point, I would also enquire why the Royal Fine Art Commission etc are also occupying such an expensive building. Agree? *Yes Mr*

*N.L.W.*

N. L. WICKS

30 October 1986

CAJAJA

FILE DCA



10 DOWNING STREET

From the Principal Private Secretary

31 October 1986

Dear Robin,

**RENTAL CHARGES FOR GOVERNMENT PROPERTY**

The Prime Minister has seen notes from the Efficiency Unit and from Mr. Manzie, about the rent for Richmond Yard and comparative rents in the Whitehall area.

The Prime Minister has noted from Mr. Manzie's minute that under the PRS procedures the £17.50 per square foot rent used for Richmond Yard planning and investment appraisal purposes will be reviewed in the light of market rents and a firm figure determined when ODA take occupation in autumn 1987. She attaches great importance to PSA's determining the Richmond Yard rent in the light of the market rents of nearby properties including any special premium chargeable for the building's central position in the Whitehall complex.

The Prime Minister has noted too that the 7 St. James Square building, with a rental of £30.00 per square foot, has been rented for the Royal Fine Art Commission and the Museums and Galleries Commission. She would like to know why these bodies are being allowed to occupy such an expensive building.

I should be grateful if you could let the Prime Minister have a note on this last point.

I am sending a copy of this letter to Tony Galsworthy (Foreign and Commonwealth Office), Kate Jenkins (Efficiency Unit) and Trevor Woolley (Cabinet Office).

*Yours sincerely*  
Nigel Wicks

(N.L. WICKS)

Robin Young, Esq.,  
Department of the Environment.

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COMMERCIAL - IN CONFIDENCE

MR WICKS

RENTS IN WHITEHALL

*file attached*

You asked me for some information on the rent for Richmond Yard and comparative rents in the Whitehall Area.

BACKGROUND - The Property Repayment Services (PRS) Arrangements

1. The PRS charge to Departments includes a figure for the open market rent for the buildings they occupy, assessed on a building by building basis. The Government itself is the market leader for offices in Whitehall and the attractions of the immediate area are less to a commercial concern than to a Government Department. Indeed, it is cheaper to house a Department in a like-for-like building in Whitehall than in a number of other parts of SW1, eg St James's or Buckingham Gate/Victoria, where there is real competition from commercial concerns.

Richmond Yard

2. The rent to be charged for Richmond Yard under PRS has not yet been determined. For planning and investment appraisal purposes we have been working on the basis of £17.50 per sq ft. Under the PRS procedures this figure will be reviewed in the light of the market rents at the time, and a firm figure determined, when ODA take occupation in autumn 1987. (ODA's existing rent for Eland House is £16.00 per sq ft).

Market Comparators

3. Examples of rents for buildings near Whitehall recently negotiated in the market:-

Standard House (Northumberland Avenue; well worn and approaching lease expiry)	£13.40 per sq ft
Cromwell House (Millbank; High standard, air-conditioned, newly refurbished)	£16.50 per sq ft
10-18 Victoria Street (formerly Monsanto House; now newly refurbished and recently occupied)	£14.50 per sq ft



Ashley House (Monck Street, adjacent to DOE's Marsham Street building; new, air-conditioned) £16.50 per sq ft

Trevelyan House (Great Peter Street, adjacent to DOE's Marsham Street building; new, air-conditioned, just being occupied by Lord Cancellor's Dept.) £16.90 per sq ft

Current PRS Rents in Whitehall

4. The main Whitehall buildings are, in commercial terms, mostly poor standard and largely in need of extensive refurbishment. The current PRS rents, which were assessed two years ago, are as follows:-

Nos. 10/11 Downing Street	£14.60 per sq ft
GOGGS	£7.90 " " "
MOD Main Building	£8.45 " " "
Old Admiralty Building	£7.90 " " "
Gwydyr House	£9.00 " " "
Dover House	£8.75 " " "

Comparators in Other Parts of SW1

*ie, rents charged by private landlords to PSA*

5. Recently negotiated rents for buildings in other areas of SW1 which are subject to stronger commercial competition than Whitehall are:-

Buckingham Court (redevelopment of the former BAA building facing Buckingham Gate by the Palace - to be occupied by the Dept of Energy) £18.00 per sq ft

7 St James's Square £30.00 per sq ft

(High quality, modernised Grade II listed building - occupied by Royal Fine Art Commission and Museums & Galleries Commission)

A G MANZIE

CHIEF EXECUTIVE, PSA

30 October 1986

cc Secretary of State  
Mr Chope



GOVT. BUILDINGS: Richmond Yard Pl. 2



SR14:RY28/10



MR WICKS

*WITH NWU?*

Following up Kate Jenkins' minute of 24 October I attach a note on property rentals being charged to Government Departments located in and around Whitehall. This also covers charges for commercial office buildings.

*Richard Hirst*

RICHARD HIRST  
28 October 1986

SRL4:RY28/10

**RENTAL CHARGES FOR GOVERNMENT PROPERTY**

The PSA charge to the ODA for Richmond Yard is to be £17.50 per square foot. This compares with a selection of other rentals charged for Government properties as follows:

<u>Property</u>	<u>Tenant</u>	<u>Description</u>	<u>Rate per sq. ft.</u>
Eland House	ODA	Well worn, approaching lease expiry	£16
7 St James Sq.	Museums and Galleries Commission	Small, high quality modernised listed building	£30
Buckingham Gate	Department of Energy	Being redeveloped	£18-20
1 Victoria St.	DTI	Large but slightly older office block.	£16-18

Charges for commercial office buildings in Central London vary from £40-45 per square foot in the City, £30 in Mayfair and St James' to £17-20 for Trafalgar Square and Parliament Square. Based on ICI's experience Sir Robin Ibbs would expect Whitehall rents to range from £12 for unimproved buildings to £19 for refurbished properties. These figures do not include any special premium for the site.

On the basis of reflecting commercial rents nearby, Richmond Yard as a new development might be expected to command £19-20 per square foot. This excludes any special premium which might be charged for its central position within the Whitehall complex.