City upbeat despite the credit crunch

Clive Branson talked to Peter Bennett, the City Surveyor, for *Planning in London* about the state of the development market.

City of London

Like any other landlord in the City, we have a clear interest in the continued health of the commercial property market. Because property provides 20 per cent of the City of London's resources, we have to run it efficiently. At the moment we are looking carefully at our assets and have stepped up the pace to make them sweat.

This policy is across the board and is aimed at extracting more value, including the schools or leisure facilities.

What has become clear over the past few years is the need for clever management of the City's property portfolio, ensuring that our timing on new development or sales is right. We feel we have had a whole string of successes such as the new Spitalfields Market (in conjunction with Hammerson); Queensbridge House, already pre-let; Milton Court, being developed by Heron, where there will be new accommodation for the Guildhall School of Music and Drama together with a concert hall and Frobisher Crescent, part of the plan to provide more residential space in the Square Mile.

As far as the current situation is concerned I am not particularly worried because the amount of new development in the city is not excessive at 464,684 sq metres (five million sq ft) and the occupational market is holding up. The vacancy rate is low. Obviously we talk to property professionals all the time and the message we get from them is that while the flow of investment money has slowed, there is still a good level of tenant demand and rents will rise further in 2008. In real terms, rents are lower than 20 years ago, and that does not include inflation since then.

But we are not complacent, as witness the report we recently published which highlighted the threats to the current premier position of the City through the collapse of Northern Rock and the proposed tax crackdown on non-domiciled residents making the UK less attractive to overseas businesses. There are also the results of the Global Financial Services Index which showed the lead over New York had halved in a six months period.

We understand the need to have policies that do not undermine the City's strong position, such as encouraging the development of large buildings to meet the needs of the global banks and financial institutions. There is also the provision of reasonably priced offices for small and medium sized companies in the City fringes of Tower Hamlets and Southwark. Small companies are essential to the efficient functioning of the City.

Looking ahead, we know that transport has to be improved to cope with increased numbers of people working in the City, which we believe will continue for many years, despite uncertainty at the moment. That is why we have been so supportive of Crossrail, Thames Link and the East London Line. A little noticed initiative on the City of London's part was to ensure adequate power supplies for the mass of computer and central heating equipment in the City. Here EDF has added a connection from the National Grid.

Just to square the circle, the City has promoted the huge expansion of retailing in the Square Mile with the 92,936 sq metres (one million sq ft) planned in Cheapside with the aim of making the area a shopping destination for seven days a week and catering for the tourists (there is a new tourist office designed by architect Ken Shuttleworth). This is contributing to the attractions of the City's working environment.

The City of London and *Property Week* have organised this conference on 24 April at the Stock Exchange.