

STATES OF JERSEY

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UNITS 1 AND 2, L'AVENUE LE BAS, LA RUE DES PRES TRADING ESTATE: RE-ASSIGNMENT OF LEASES

**Lodged au Greffe on 7th June 2005
by the Committee for Postal Administration**

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to approve the assignment of a 21 year lease, expiring on 30th June 2016, currently between Mrs P. Parrington-Jackson as lessor and Jackson's Garage Limited as lessee to the Committee for Postal Administration, in respect of Unit 1, 46 L'Avenue Le Bas, Rue des Pres Trading Estate, St. Saviour, Jersey of approximately 21,539 square feet at a passing rent of £199,144 per annum (provided that the assignor has agreed to providing 2 months rent free immediately following assignment of the lease) and with rent reviews every 3 years to the greater of market value or the Jersey Cost of Living and with the next review being due on 1st July 2007;
- (b) to approve the assignment of a 21 year lease, expiring on 31st December 2009, currently between Mrs. P. Parrington-Jackson as lessor and St. Helier Garages Limited as lessee to the Committee for Postal Administration, in respect of Unit 2, 46 L'Avenue Le Bas, Rue des Pres Trading Estate, St. Saviour, Jersey of approximately 18,232 square feet at a passing rent of £150,000 per annum (provided that the assignor has agreed to providing 2 months rent free immediately following assignment of the lease) and with rent reviews every 3 years to the greater of market value or the Jersey Cost of Living and with the next review being due on 1st January 2006;
- (c) to authorise Jersey the Committee for Postal Administration, to pay –
 - (i) the rents as they become due;
 - (ii) stamp duty amounting to approximately £18,000 relating to the registration with the Royal Court of the assignment of the lease in respect of Unit 1, 46 L'Avenue Le Bas, Rue des Pres Trading Estate, St. Saviour, Jersey; and
 - (iii) stamp duty amounting to approximately £4,500 relating to the registration with the Royal Court of the assignment of the lease in respect of Unit 2, 46 L'Avenue Le Bas, Rue des Pres Trading Estate, St. Saviour, Jersey; and
- (d) to authorise the Attorney General and the Greffier of the States to pass the necessary contracts on behalf of the Public.

COMMITTEE FOR POSTAL ADMINISTRATION

Note: The Finance and Economics Committee's comments are to follow.

REPORT

Jersey Post is currently experiencing rapid growth of its fulfilment operations, and it has a requirement to take on up to 40,000 square feet of warehousing accommodation to meet contracts which have been secured (subject to contract).

This significant business diversification is also seen as the key driver of profitability over the next few years as a producing other benefits to the Island's economy as a whole in terms of –

- new employment opportunities including some high value jobs;
- north/south sea transport links; and
- new tax revenues.

In particular, Jersey Post has secured its largest fulfilment contract to date subject to suitable premises being sourced. The potential benefit to Jersey Post is significant with the volume of items processed for this customer forecast to reach 5 million items for 2005 and up 8 million items for 2006 (based on the client's projected forecasts for United Kingdom sales only). In addition, this particular client offers the opportunity for Jersey Post's fulfilment business to expand into new markets within Europe which could see up to double the number of items processed (again based on the client's projected sales).

Warehouse accommodation has already been taken on at Rue du Port Elizabeth. This accommodation is being used to its full capacity and, whilst there are long-term opportunities for expansion in this location, they will not meet the shorter term requirements brought about by the imminent new business which Jersey Post's fulfilment business has secured. However, it is likely that Jersey Post would still require additional space at this location for its growing logistics operation.

In addition, Jersey Post has investigated the possibility of further developing its premises at Postal Headquarters, Rue des Pres. However, this option is not viable given both the impact such development would have on existing operations and the lack of space available at the site.

It is Jersey Post's view that, at this time, there are no other large-scale individual industrial buildings of sufficient size within the Island of Jersey which meet the immediate requirements of Jersey Post's fulfilment business. Whilst Jersey Post has been working with Sarre & Co. to identify suitable sites, the only alternative options are agricultural sheds which require permission for change of use and which are too small or poorly located for Jersey Post's requirements.

There are significant advantages of securing the site represented by Units 1 and 2, 4-6 L'Avenue Le Bas. These include: its availability, the close proximity to Postal Headquarters, suitable access for large vehicles, the provision of car parking, and the securing of Jersey Post's fulfilment business expansion needs for 2005 on one site.

The details of the leases for each of Units 1 and 2, 4-6 L'Avenue Le Bas, Rue des Pres Trading Estate, St. Saviour, Jersey are in summary as follows–

Unit 1, 4-6 L'Avenue Le Bas, Rue des Pres Trading Estate, St. Saviour, Jersey:

- (a) a 21 year fully repairing and insuring lease from 1st July 1995 to expire on 30th June 2016
- (b) the property consists of –
 - (i) a ground-floor internal workshop of approximately 11,063 square feet;
 - (ii) a ground-floor showroom and offices of approximately 7,274 square feet;
 - (iii) first-floor offices of approximately 549 square feet;
 - (iv) first-floor storage of approximately 2,653 square feet; and
 - (v) an external yard area providing parking.

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Unit 2, 4-6 L' Avenue Le Bas, Rue des Pres Trading Estate, St. Saviour, Jersey:

- (a) a 21 year fully repairing and insuring lease from 1st January 1988 to expire on 31st December 2009
- (b) the property consists of –
 - (i) two large bays of open plan warehousing with ancillary offices and extensive, fully fitted out showrooms to the front of the premises being an approximate gross internal area of 18,232 square feet; and
 - (ii) an external yard area providing parking and access to the site.

Notes:

- (a) In order to secure the current leases, Jersey Post has been required by the existing lease-holder to enter into a licence agreement in respect of the premises. This allows limited occupancy and prevents the leaseholder from offering either property to any other party for a period of 15 weeks. If the leases are not assigned to Jersey Post by 3rd July 2005, then Jersey Post is obliged to reimburse the lease holder £100,000, representing 15 weeks' rent, together with a fee of £30,000 for the exclusive negotiating period. It is Jersey Post's expectation that the revenue from business conducted from the premises during the period of the Licence Agreement, regardless of the States' decision on this Report and Proposition, will cover these costs.
- (b) Whilst the terms of the leases are that they are fully insuring and repairing leases, a survey was undertaken on the premises in June 2004 by Reynolds Chartered Surveyors and Jersey Post has required that all significant matters identified in that survey will have been rectified by the existing lessees prior to any assignment of the respective leases.
- (c) When the land on which the premises have been built were sold to the owner in 1974, a restriction on the use of the land was imposed. The consent of the Environment and Public Services Committee will therefore be required for the premises to be used by Jersey Post for the fulfilment business.
- (d) The consent of the owner shall also be sought to ensure that no grounds exist for it to object to the proposed use.
- (e) Jersey Post has been advised that consent under the Island Planning (Jersey) Law 1964 for change of use is not required.