From: Marc Burton **Sent:** 27 February 2015 17:21
Subject: Corporate Services Scrutiny Panel - Jersey International Finance Centre Review

Following the invitation to comment on the current scrutiny of JIFC, we would respond as follows.

The States of Jersey decided to develop the land known as the waterfront via initially the Waterfront Enterprise Board and then the States of Jersey Development Company Ltd. As such SoJDC by this decision are free (subject to their terms of engagement with the States) to compete with other developers for the right to meet tenant demand for Grade A office space. In essence SoJDC are acting like sovereign wealth funds in other jurisdictions such as the Middle East or Singapore again competing for tenants against other privately owned developers.

As a private entity, SoJDC need to be afforded the same commercial benefits as a private developer in order to remain competitive in the market place. This primarily concerns the right to withhold commercially sensitive information that may assist a competitor or may penalise SoJDC. There is a lot a private and confidential commercial information that is not suitable to be placed into the public domain.

Market conditions – It is argued that there may be an oversupply of Grade A office space in Jersey. Certainly there are a number of scheme's that have been granted planning permission along the Esplanade that are in direct competition to JIFC. This is good for tenants, but does not necessary imply that there is over supply. No one is building speculatively, therefore all sites are bidding for the same tenants and will only build once a tenant has entered into an agreement to lease. Those sites that are able to move the quickest i.e. the land is free and available to build on immediately will in all probability and subject to acceptable market rates secure the tenants. This is market forces. The majority of buildings on the Esplanade with planning consents have existing buildings and therefore existing tenants that need to be served notice and, decanted , demolished and cleared before building works can commence.

The lack of availability of Grade A provision in terms of market requirements, will in all probability fail to satisfy exiting business's looking to improve and modernise and move offices and it will certainly not appeal to new incoming business's which Jersey Finance are looking to relocate to Jersey. So when looking at market requirements, you need to separate the local market from new/emerging markets from outside the island. Locally the agents are aware of tenant requirements. This will be fuelled by the need to consolidated office space i.e. as Ogier undertook in 2009 or provide fit for purpose space for business efficiency and staff retention. New companies being attracted to Jersey will want Grade A office space immediately and currently there is none available in Jersey. The most appealing developers will therefore be those that can react the quickest. Demand from off island is again well known by Jersey Finance and the local commercial agents and they are reporting high interest. Jersey is and will suffer from the lack of available Grade A office space and this will prevent economic growth, a key strategy set out recently by the Council of Ministers in their Strategic Priorities for 2015-18 document for the greater good of the island.

The market will therefore decide which developers can meet their demands and requirements with the best site location, speed to site and commercial terms being the key drivers. SoJDC are well placed to compete locally.

It is understood that SoJDC are required to achieve a level of pre-let before commencing a development. This is like many other developers and is required to comply with bank funding. The market reality is that new business incoming to Jersey require Grade A office space now and as stated there is currently no provision. Any developer proceeding in a speculative fashion based on market intelligence would be well placed to secure these new business's. Bank funding requirements suggest that speculative development is highly unlikely in the current market conditions for the schemes with Planning consents along the Esplanade. This does present a big problem to Jersey's finance industry when competing in the global markets as Jersey will lose potential business's to other countries who can meet tenant demands.

There is a concern that the migration to the waterfront will create a dearth of vacant secondary office space elsewhere in St. Helier. This will occur regardless of whether JIFC is built or not as tenants want new modern Grade A office space. We are already seeing signs of owners or developers being innovative and recycling secondary office space into residential schemes. This is occurring at PWC's old offices at Columbrie, and at RBS's and Voisin Hunter's former offices. Jersey has a great history for reinvention and building owners will come up with options to ensure their properties generate an income or retain value.

The terms of reference asks of the private sectors capacity and capability to deliver the level of Grade A office space that may have been identified by the finance industry. From the construction sectors view point, the construction industry has the capacity to meet the demands and requirements and this will be very welcome investment to enable local construction companies and the supply chain to continue to invest in their business's, invest in training local people, to grow and therefore employ local people. Skills Jersey in conjunction with the Jersey Construction Council jointly published a Skills report on Construction in November 2014 identifying the future needs for the industry. This identified the opportunity to create 500 new jobs locally over the next two years. Investment has been seen in Trackers, the recognised States Apprenticeship programme, by Back to Work in their Under Construction initiative and by employers in increased levels of both training and recruitment. A sustainable construction industry is essential to Jersey. The construction industry was identified by the Fiscal Policy Panel as the best place for local capital expenditure to best support and grow the locally economy. Commercial office development is a key part of this strategy. The need for Grade A offices will be met by the construction industry to meet tenant demand, regardless of which developer secures the tenants.

Planning consents are in place for JIFC – Building 1, Building 4 and the public car park, therefore SoJDC are free to compete in the market place against other private developers by the terms of their appointment.

It is difficult to answer and provide factual evidence in answer to the terms of reference if all the information is not in the public domain. Considering the commercial sensitivity surrounding SoJDC's JIFC scheme, it's fully understandable that this information has not been made public.

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