



MADE BY WORKSPACE

Commercial Strategy

Executive Summary

The Commercial Strategy for the Chocolate Factory provides a strategic over view of Workspace proposal for the site currently subject to the Planning Application Reference HGY/ 2017/3020. The strategy sets out our business model, the commitment to Customers effected by the development and Investment proposals.

Business Model

Workspace is committed to provision of a choice of co- working spaces, workshops and office in the refurbished and new building proposed in the scheme. These provide a range of place and space to rent from a desk, a small studio 20m² to large office units. Our leases are very flexible offering customers two year on a 3month to try before you buy basis followed by a six month notice mutual break. Rental charges are paid monthly to ensure customer know what their fixed property cost are, simplifying their property risks.

Commitment to Customers

Through the strategy Workspace will provide support existing customers as and when development commences by;

- Reviewing their accommodations requirements and how they may be accommodated at site subject to development phasing.
- Support existing customers to relocate to equivalent suitable space within Workspace's portfolio.
- Support customers relocation to equivalent accommodation in the Wood Green and Hornsey areas, either in meantime space if suitable or suitable alternative space for permanent move.
- Establish a fund to provide Customers support with reasonable relocation expenses, where appropriate, subject to Section 106 discussions

Investing in Wood Green

Workspace's development will create a focused collection heritage building and new accommodation to provide a choice of business space that will support the wider economic investment in Wood Green. Helping to contribute to the growth of the area with a choice of commercial spaces, new homes and significant in new place and space for the community.

chocolate Factory and Parma House, Clarendon Road, N22 6XJ

Commercial Strategy – Workspace Limited

1. Introduction

Workspace Limited is a Real Estate Investment Trust (REIT) that provides a range of commercial business space in London. The focus is providing space tailored to new and growing companies (NGC's) from co-working, workshop spaces through to a choice of office suites.

Workspace has owned and managed the Wood Green assets, The Chocolate Factory and Parma House since 1999. The buildings and site formed the majority of the former Bassett's Sweet Factory, where they started producing confectionary at site in 1908 and continued in one form or another until the late 1970's. As with a significant proportion of 20th Century industrial sites, the original purpose and subsequent use of the building has changed, mirroring post war industrial decline and economic cycles.

The buildings have now reached a point where they require significant investment and restoration to provide a choice of spaces for existing and new businesses to support Wood Green's and Haringey's economic growth.

2. Workspace's Business Model

We manage circa 400,000 m² of business space across London with almost 4,000 customers. The Workspace advantage provides a threefold approach to enabling new and growing businesses to focus on their commercial activities whilst limiting their accommodation risks.

Wired Differently

Ensuring businesses have secure and reliable connectivity to superfast broadband through our investment in new infrastructure.

Super Connected

Ambitious businesses make us their home - we create a buzz as you enter our buildings, inspiring each other and networking to create a business community.

No Limits

Businesses are dynamic and should not be constrained by four walls and poor tech. Our flexible lease agreements offer short break clauses and do not restrict or tie your business down, for example you only pay for 3 months' rent up front to move in and your lease can be as short as 2 years.

This approach to managing the portfolio provides our customers with the support they need to focus on business.

The Workspace advantage extends to the Asset Management strategy of the portfolio, ensuring that the buildings are fit for purpose to meet current and emergent market conditions.

In Wood Green, the Chocolate Factory and Parma House are at a point where significant intervention is required to sustain the buildings competitive offer to businesses looking for office space. The investment proposed by Workspace in the site will ensure the sustained

provision of business space in Wood Green supporting the wider economic growth as outlined in Haringey's adopted policies.

3. Existing Customers

Workspace will continue to work closely with their customers, responding to their accommodation requirements as and when they arise. A significant proportion of customers have significant time left on their lease agreements. Workspace has been clear that the earliest that any development activity could start on site in spring 2019. Workspace's experience of managing the transitional impact to our developments, is that our customers usually only wish to move once to minimise disruption to their business continuity. The commercial strategy will support customers up to the commencement development by:

- Reviewing their accommodations requirements and how they may be accommodated at site subject to development phasing.
- Support existing customers to relocate to equivalent suitable space within Workspace's portfolio.
- Support customers relocation to equivalent accommodation in the Wood Green and Hornsey areas, either in meantime space if suitable or suitable alternative space for permanent move.
- Establish a fund to provide Customers support with reasonable relocation expenses, where appropriate, subject to Section 106 discussions.

4. Existing situation

The existing site comprises a range of original masonry and concrete buildings that form the original production facilities (these will be retained) and a range of post second world war buildings that were primarily used for packing, shipping and storage for confectionary businesses. Together, Buildings A to F and Parma House provide approximately 15,000m of commercial space for a variety of business and some education activities.

The Chocolate Factory, with Parma House and other buildings in the area, have become known locally as a "cultural quarter". How or what contributes or goes into making a cultural quarter, can be discussed at length. In the case of The Chocolate Factory and its environs, the activities that appear to help define this sobriquet are the Mount View Theatre School and College Arts charity, one being an education institution and the other an art education charity, who together currently occupy a third of the space, 4800m². Both have been customers for a long time, occupying a range of different parts of the site, but predominantly they favour former warehousing, distribution builds and Parma House.

In the existing policy context, their occupation is likely to be defined as a D1 education use class rather than a B1 business use class. This significantly influences the current economic vitality of the site, but perhaps reflects the recent history and current quality of the building stock on site. Namely being large volume spaces that are relatively flexible to configure but commercially do not fit the existing market for the B1 range of uses. And given their previous use and age are relatively affordable to rent due to their poor condition. In the case of Mount View Theatre School, it understood that they are relocating from Wood Green early in 2019.

The rest of the chocolate factory is let to a variety of the business on Workspace's standard lease arrangements, being two-year leases with a six month notice to quit by each party.

5. Planning Policy Context

The Borough has adopted Wood Green development policies for the proposed investment and development of the Cultural Quarter and Clarendon Village. This provides the framework for the current proposed scheme by Workspace for the Chocolate Factory and Parma House. This envisages that the site(s) north of Coburg Road will be developed to provide;

- The Site Allocations DPD Policy SA19 Wood Green Cultural Quarter (South) identifies a 2ha site with an indicative capacity for 355 residential dwellings and 12,243m² of employment floorspace.
- The Site Requirements state that the level of employment floorspace is to be maximised subject to the provisions of the scheme as a whole and viability.

6. Workspace Investment and Development Proposal

Workspace's scheme has been developed to revitalise the business and employment opportunities in the Wood Green. The current proposal will provide refurbished and new business space for the business community whilst introducing residential / community space to support the vitality of the emerging neighbourhood. In the context of adopted policy, the scheme is compliant with SA19 and provides the following proportion of the allocation.

- The application site is 1.3ha so equates to 68% of the allocation
- It provides residential development (218 units) at 61% of the indicative yield envisaged by the allocation.
- It provides employment/non-residential land uses (10,659 m².) at 87% of indicative employment yield.
- The scheme optimises the development potential of the site and indeed achieves a greater proportion of employment floorspace relative to its size and therefore exceeds the employment aspirations of policy.
- The refurbished and new commercial building offer spaces, flexible configure, from 20m² through a variety of sizes up to the potential for a single larger occupier of 450m².
- The level of employment space has been tested through the Financial Viability Appraisal which demonstrates that the level is the maximum the scheme can provide.
- The emerging Wood Green AAP was reported to Cabinet in January 2018, it is at an early stage in its preparation and accordingly little weight should be attached to its provisions. Notwithstanding this, it identifies a lower employment requirement from the site at 6,826 m²., town centre uses at 1,706m² and residential at 341 units.
- In relation to the emerging AAP, the revised proposals (even relating to a reduced site), exceed the total non-residential floorspace sought (8,532 m².).

7. Investment Parameters

The existing quality of the buildings is the biggest influence on investment decisions and how capital expenditure is utilised to improve the business offer at the Chocolate Factory. The current average rent across site is circa £10.00 per sq. ft. This level of income reflects what the market is willing to pay in consideration of the quality of the older industrial buildings and the supporting business infrastructure. At this level of income per square foot the refurbished of, or the provision of new floor space cannot be viably funded.

The Asset Investment Strategy requires an element of enabling development to support Workspace's proposal for the site and respond to planning policy, e.g. the re – provision of the reasonable maximum amount of B1 space. The submitted viability tool kit for the scheme includes a financial appraisal that illustrates this point and, also deals with affordable housing issues. To support the proposed investment at the Chocolate Factory the average rent needs to be circa £30.00 per Sq. ft. coupled the any potential cross-subsidy that is drawn from the residential development.

In November the Greater London Authority published the new Draft London Plan, containing a significant range of new employment policies. The Plan is in draft and subject to further consultation and an Examination in Public. However, Workspace has reviewed the financial implications of suggested Policies E2 & E3, due the significant impact they could have on the ongoing viability of investment not only in Wood Green but across London. The table below illustrates the impact of the provision of a significant proportion of "Affordable Commercial Rent" on the proposed schemes viability. It should be note this does not account for the impact of affordable housing provision.

Table 1. Impacts of Affordable Rent on Investment

Results	Value	Discounted Market rent (MR £30 psf)	Increase in required Market rent to offset affordable impact	% rental value increase required
Investment Case	£35.98m	£30.00	£0	0%
25% of Floor Space at 75% OMV	£33.73m	£22.50	£32	6.60%
40% of Floor Space at 55% OMV	£29.50m	£16.50	£36.60	22%
10% of Floor Space at 80% OMV	£35.26m	£24.00		

As illustrated in table 1, a requirement to provide a significant proportion of discounted rent levels, below the average market rent places a significant pressure on the scheme. Depending on the how much space and what might be deemed an affordable rent requires the remaining proportion of the space to achieve better rents. In the case of the Chocolate Factory this could require rents to be significantly above the existing and predicted market levels

Workspace is developing a number of new buildings that have a proportion of affordable space provision. However, the quantum and mechanism for establishing the amount of floor space and reduction in market rent is a function of the overall package delivered by the scheme. The provision of an element of affordable business floor space will former apart of the Section 106 contribution discussion.

Appendices

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