BNP PARIBAS REAL ESTATE

PRIVATE AND CONFIDENTIAL

Roland Sheldon
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Our ref: 262688

23 January 2024

Dear Roland

3 NEW ROAD, CROUCH END

We write further to your instructions to review the Applicant's marketing and addendum reports to support the loss of commercial floorspace at the above address.

Policy DM40 (Part B) of the Council's Development Management DPD adopted in July 2017 states in relation to the specified criteria to justify the loss of commercial floorspace:

*"**B** On all other non-designated employment sites (i.e. those which do not meet the location criteria of (A) above), the loss of employment land and floorspace will only be permitted where it can be demonstrated that the building or land is no longer suitable for continued employment use having regard to:*

***a** Feasible alternative employment uses;*

***b** The age and condition of the existing building(s) and the potential for refurbishment or adaptation, in particular to more flexible unit sizes;*

***c** Site layout, access, and relationship to neighbouring uses;*

***d** Periods of long-term vacancy; and*

***e** Evidence of recent, continuous and suitable marketing, covering a minimum period of 3 years".*

We summarise below the reports that the Applicant has submitted in support of their case to justify a loss of the commercial floorspace:

- Marketing Report dated January 2021 prepared by Martyn Gerrard Commercial;
- Letter prepared by Union Street Partners dated 18 February 2021;
- Letter prepared by Martyn Gerrard dated 18 May 2021;
- Letter prepared by Union Street Partners dated 18 February 2021;
- Marketing Report dated May 2022 prepared by Martyn Gerrard Commercial;

- Letter prepared by Acorn Group dated 31 May 2022;
- Marketing Report dated 23 October 2023 prepared by Martyn Gerrard Commercial.

We have reviewed the Applicant's evidence base and summarise the conclusions from the reports/letter initially and we then summarise the evidence that supports the conclusions.

Martyn Gerrard Marketing Conclusion January 2021:

"Martyn Gerrard Commercial Department has been marketing these premises for over 3 years and the number of enquiries and offers falls well below usual market expectations.

The key issues facing the property are as follows:

- The unit is considered to be in an undesirable location for office use, as the unit is in a tertiary location setback from the main road.
- *The surrounding area (being predominantly residential) is not generally considered as a target location for businesses. The preference is for established commercial locations (i.e. Wood Green/Finsbury Park.*
- *The unit is not in easy walking distance of any train stations which is a necessity for many businesses (e.g. Highgate tube station is a 20 minute walk).*
- *The unit has no car parking provision, which given the size of the unit and the estimated number of employees and visitors is an issue.*
- *The unit, being within a gated development with immediately adjoining residential uses, is not considered to provide a suitable environment for wholly business purpose.*

Given the lack of interest over the last 3 years and the current climate in regards to the Covid 19 pandemic, it is our opinion based on all the factors above and our vast local experience, this unit, location will continue to remain vacant for some time".

Letter prepared by Union Street Partners dated 18 February 2021

The letter prepared by Union Street provides a general overview of the commercial market as at February 2021.

Martyn Gerrard Marketing Conclusion May 2022:

"Our conclusion remains as described in our previous report, we have been marketing the property for almost 5 years and the number of enquiries and offers falls well below usual market expectations.

While the return to work continues, office occupancy rates remain below 30% and the Covid 19 pandemic has had a long-lasting impact on the commercial property market.

In addition, the current rate of CPI is 7% in the 12 months to March 2022 and the Bank of England aiming to keep the CPI rate of inflation at 2% plus or minus 1% (i.e. between 1% and 3%) and is expected to increase interest rates even further to try and curtail inflation. This will have a further impact on the commercial property market.

Given the lack of interest over the last 5 years and the current economic climate in regard to the Covid 19 pandemic and cost of living crisis, it is our opinion based on all the factors above and our vast local experience, this commercial unit in this location will continue to remain vacant for some time".

Acorn Letter dated 31 May 2022

"Acorn have been marketing the site on its website for 4 ½ years (since November 2017) along with commercial agent Martyn Gerrard for the same period.

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There has been no direct response to us and Martyn Gerrard have had limited interest. The issues remain the location and lack of parking.

The unit has been reduced in price over this period and remains empty. For the record the cost of holding the property for this time far outweighs any added value a change of use would bring, but id [sic] *does at least upon up the potential for the space to be occupied/sold".*

Martyn Gerrard Marketing Conclusion October 2023:

The October 2023 report provides a brief overview of follow up notes to viewings that were cancelled and one in which concludes that parking is an issue. The covering letter to this report provides the following statement:

"Please also note that on top of what is reflected below there has [sic] also been numerous enquiries for lettings and sales that has [sic] not materialised into any viewings or offers and this has mainly been due to the lack of parking. This is a large commercial property and majority of directors and managers of businesses will not entertain a property unless they have access to parking or at least some parking".

We summarise under the headed sections below further information provided from the January 2021 and May 2022 reports prepared by Martyn Gerrard.

Price History

Martyn Gerrard state that they have been marketing the commercial unit off-plan since late 2017, targeting rental and owner occupiers whose requirements matched the property details. We summarise in the tables below the price history of the property on the basis of sales and letting. We note that the reports provide the marketing particulars for each of the sales.

Table 1: Price History (Whole Property)

Date	Asking Price	£PSF
November 2017	£2,200,000	£399
May 2019	£2,000,000	£363
July 2019	£1,800,000	£325
July 2021	£1,600,000	£290

Table 2: Price History January 2021 Report (Split Property)

Unit	Asking Price	Floor Area (NIA)	£PSF
Ground Floor Unit 1	£575,000	1,227	£469
Ground Floor Unit 2	£625,000	1,324	£472
First & Second Floors	£895,000	2,040	£439

Table 3: Price History May 2022 Report (Split Property)

Unit	Asking Price	Floor Area (NIA)	£PSF
Ground Floor Unit 1	£475,000	1,227	£387
Ground Floor Unit 2	£575,000	1,324	£434
First & Second Floors	£750,000	2,040	£368

In relation to the marketing of the site for letting, the January 2021 Martyn Gerrard report states:

"the property has been listed for rent since November 2017 for £157,500 - £165,000 (£30 per sqft - £31.46 per sqft GIA)". We summarise in Table 4 the rents that each of the units have been marketed at individually. The reports provide the marketing particulars for each of the units.

Table 4: Letting Marketing Prices

Unit	Asking Rent (Per Annum)	Floor Area (NIA)	£PSF
Ground Floor Unit 1	£36,800	1,227	£30
Ground Floor Unit 2	£40,000	1,324	£30.21
First & Second Floors	£61,000	2,040	£29.90

In support of the asking rents the report provides the following statement:

"The price was set to get offers close to the asking and given our vast experience and understanding of the local area and given the new build quality of the property we feel this was in line with market expectations.

In terms of comparable evidence there are two within the local vicinity. There are two lettings at First and Second Floor, 1 and 2 Frederick Place, Crouch Hall Road, N8. Consisting of £35,000 per annum and 1218 sqft on the first floor and £35,000 per annum over 1015sqft on the second floor".

We note that the report provides details of comparable evidence, however, it is unclear whether the lettings at Frederick Place are similarly affected by a lack of car parking and the key issues affecting the subject property as summarised above. We therefore request that the Applicant provides further information regarding the lettings at Frederick Place.

We note that the entire property is currently being marketed at a rent of £100,000 per annum and we request further information from the Applicant with regards to how long the property has been marketed for at the current asking rent and details of any viewings/interest. It would assist if Martyn Gerrard Commercial can provide a report which provides an updated report set out in the same format as their January 2021 and May 2022 so that their current marketing campaign (sale and letting) is up to date.

Whilst the entire property is currently being advertised at a rent of £100,000 per annum it is unclear why the property is being marketed with a specific price and we consider that the Applicant needs the market to determine the value. This is may account for why there has been limited interest in the site as the marketing rent and indeed sale price may be unrealistic given the site's drawbacks.

Enquiries and Viewings

We set out below statements from the Martyn Gerrard reports regarding enquires and viewings:

January 2021 – *"The property has so far been matched to 371 unique applicants on our database.*

They have been sent online details and called.

32 further brochures have been sent out to other enquiries.

During the period of marketing from November 17 to January 21 the property has appeared in 48,965 online searches.

1,737 people clicked to view further details. This gives a click through rate of 3.5%, *which is below the branch average of 4.35%".*

May 2022 – *"The property continues to be marketed on our company website, and on the online property portals 'Rightmove', 'Zoopla', 'Realla', and 'Prime Location'.*

During the period of marketing from November 2017 to May 2022 the property has appeared in 49,649 online searches. 1,903 people clicked to view further details. This gives a click through rate of 3.83%, which is below the branch average of 4.47%.

Our Original Marketing Report confirms the number of requests we received to view the property, and since then (January 2021), we attach a list of further viewings since that date. In almost five years marketing, we have only received one formal offer and one verbal offer. As previously advised, the formal offer was received on 05/11/2019 – Mr PS £1,700,000.

However, the offer was then revised to £1,400,000 and then they withdrew the offer completely. The potential buyer explained the commercial market is currently very soft and is no longer interested in purchasing the property.

In addition, we received a verbal offer of £1,200,000 from a Mr Ali on 13/01/2022, however even though this is substantially below market value, we asked them to submit their offer formally. They decided not want to make this a formal offer and have now removed their interest".

We have previously stated that we consider that the Applicant should allow for the market to determine an appropriate price for the property and whilst Martyn Gerrard state that the offer was below market value they are not letting the market determine the value by setting a false expectation of marketing rent/purchase price.

BNPPRE Initial Conclusion

We have considered the available marketing report in addition to the supporting appendices and compared the submitted information against the Council's Policy DM40 part B which is as follows:

*"**B** On all other non-designated employment sites (i.e. those which do not meet the location criteria of (A) above), the loss of employment land and floorspace will only be permitted where it can be demonstrated that the building or land is no longer suitable for continued employment use having regard to:*

***a** Feasible alternative employment uses;*

***b** The age and condition of the existing building(s) and the potential for refurbishment or adaptation, in particular to more flexible unit sizes;*

***c** Site layout, access, and relationship to neighbouring uses;*

***d** Periods of long-term vacancy; and*

***e** Evidence of recent, continuous and suitable marketing, covering a minimum period of 3 years".*

It is clear that the property has been subject to a continuous marketing campaign covering a minimum period of 3 years, has been subject to long-term vacancy and that feedback from prospective purchaser's has highlighted negative aspects of the property such as access, parking, close proximity to the residential uses etc. However, the marketing campaign is flawed because they have not allowed the market to determine the value of the property. Many interested parties could have submitted offers for the property but may have chosen not to because the Applicant's expectations of rental value and sale price were unrealistic.

However, since the May 2022 Martyn Gerrard report limited information has been provided in relation to the marketing from Q2 2022 to the present day.

We note that the entire property is currently being marketed at a rent of £100,000 per annum and we request further information from the Applicant with regards to how long the property has been marketed for at the current asking rent and details of any viewings/interest. The reduction is rent from £157,500 to £165,000 underlines the point that the original marketing campaign was flawed and we consider that the property should be remarketed with providing any indication of expected rent/sale price. The market will then be in a position to determine the true value of the building.

It would also assist if Martyn Gerrard Commercial can provide a report which provides an updated report set out in the same format as their January 2021 and May 2022 so that their current marketing campaign (sale and letting) extensively covers the period from May 2022 to Q1 2024.

We note that the current asking rent of £100,000 per annum refers to a range of potential uses including offices, health centre and studios and provision of further information regarding whether a range of feasible alternative employment uses have been explored at the site together with potential purchaser's/tenants. Notwithstanding this point, the property should be remarketed without identifying the rent/sale price and invite offers.

I trust that this letter meets your requirements and we look forward to receiving the requested additional information so that we can conclude our review of the Applicant's marketing exercise.

Yours sincerely,

Jamie Purvis MRICS
Senior Associate Director