

## 38 Chalcot Road London NW1 8LP

### BPS Marketing Review

7th August 2015

#### 1.0 INTRODUCTION

- 1.1 We have been instructed by the London Borough of Camden ('the Council') in respect of a planning application (reference 2015/2074/P) for change of use of the lower ground and part ground floor of the building at 38 Chalcot Road from retail to residential use, together with the erection of a single storey residential extension to the rear.
- 1.2 The application site consists of an end of terrace, three-storey brick building, located on the corner of Chalcot Road and Fitzroy Road. The lawful use of the ground and lower ground floor is A1 Retail (with a small area of C3 Residential on the ground floor), and C3 Residential on the first, second and third floors. The ground floor and basement total 1,192 sqft (£111 sqm). The recent history of the shop is as follows:
  - Shop used to sell pottery; building in single occupation as the operator of the pottery shop used the upper floors as his main residence.
  - Following the death of the previous occupant of the shop, in January 2012, it was then used as storage space (ancillary to the upper floor residential) for approximately one year.
  - During a 2013 Land Use Survey the Council confirmed that the building was vacant.
  - The building was sold to Rajan Bijlani in summer 2014.
  - The shop was marketed from July 2014 up to the present day by Salter Rex.
- 1.3 Under planning application 2014/5503/P, consent was granted in November 2014 for, *"Installation of a new mansard roof extension, realignment of the window to the first floor of the rear extension....."*
- 1.4 The Council has requested that we consider whether the applicant has adequately demonstrated that insufficient demand exists for the retail unit. We have reviewed a Marketing Report dated 9th April 2015 by local commercial agency Salter Rex, together with information provided by Savills, the applicant's planning adviser. The Market Report concludes that it is not realistically possible to secure a retail tenant for the premises, given the retail units' disadvantages and the unsuccessful marketing of the Property over the last year.
- 1.5 We have liaised with the applicant's advisers in order to reach a view as to whether continued A1 Retail use is feasible. We have had regard to the Council's relevant planning policies, and have considered the local retail market in order to reach our conclusions.

## 2.0 CONCLUSIONS & RECOMMENDATIONS

- 2.1 We can confirm the following regarding the Market Report and other material submitted to us by the applicant's advisers:
- The marketing history has been suitably evidenced and documented
  - A suitably wide range of types of marketing were used during the last year
  - The limited level of interest and viewings is discussed in suitable detail in the report
  - The disadvantages of the building are discussed, and these are supported by the comments of the viewers (i.e. potential occupiers) as to why they withdrew their interest
  - Salter Rex have marketed the Property from 29th July 2014 to the present day
- 2.2 This marketing history does indicate that the chances of securing an A1 letting of the property are low. However, it remains to be seen whether one year is a sufficiently long marketing period from a planning point of view, as a minimum period is not prescribed by the Council's policies concerning loss of retail floorspace. This is therefore a matter for further discussion by Planning Officers.
- 2.3 The subject site is located on the corner of Chalcot Road and Fitzroy Road, the other three corners of this junction being occupied by a café (Spirit of L'Absynthe), a public house and residential uses respectively. Along Chalcot Road, the Property is close to a row of small shops which are to the south-west. Thus the property is at the end of this row, although separated from the main line of shop by the junction.
- 2.4 We understand that many of these shops are occupied. Whilst it appears that the Neighbourhood Centre in which the Property is located is reasonably popular and has a good level of retail occupancy of the retail units along Chalcot Road, this does not necessarily mean that the subject Property is likely to achieve a letting. It is apparent that the specific disadvantages of the Property severely limit its ability to achieve a letting.
- 2.5 The sharing of access with the upper floor residential is not an ideal arrangement, and has negative implications both for the retail and the residential floorspace, such by potentially constraining the achievable sales values of the residential units. The fact that the retail space has not been in conventional retail use for many years (as its use by the previous owner was more akin to ancillary use associated with the upper floor residence), this leaves considerable doubt over its lettable and its suitability for conventional A1 retailing.
- 2.6 In terms of location, the separation of the shop from the main row of shops along Chalcot Road may be an important factor in deterring interest, given the impact this separation would have on footfall.
- 2.7 While we consider that the asking price of £45,000 may potentially have been somewhat overstated - especially in view of the low level of 'usable' retail space on the ground floor - this cannot explain the limited level of interest in the property, which appears to be due to other factors including most importantly the layout of the unit and its shared access arrangements. In any case, we would not expect an experienced agent such as Salter Rex to set a rent at a level that would severely deter potential interest, and they have confirmed that they made it clear to interested parties that the rent was negotiable and that the landlord was willing to be flexible.
- 2.8 We recognise that there is limited policy direction in respect of the tests that need to be met in order to prove that a retail unit is no longer suited to that purpose and is eligible for change of use. We therefore suggest that further discussion is required in order to establish whether from the point of view of planning policy loss of retail space is justified in this case.

### 3.0 PLANNING POLICY

3.1 The property is located within a Neighbourhood Centre as detailed in CPG5. This is known as the Chalcot Road Neighbourhood Centre. The site is within the Primrose Hill Conservation Area.

3.2 We have had reference to Policy DP10 (*'Helping and promoting small and independent shops'*):

*The Council will seek to protect shops outside centres by only granting planning permission for development that involves a net loss of shop floorspace outside designated centres provided that:*

- d) alternative provision is available within 5-10 minutes' walking distance;*
- e) there is clear evidence that the current use is not viable; and*
- f) within the Central London Area, the development positively contributes to local character, function, viability and amenity.*

3.3 In this case, the scheme is in fact *within* a designated centre, therefore it is questionable whether CPG5 is applicable. It is not clear precisely what the policy requirements are in terms of demonstrating that the building is not marketable and cannot secure lettings.

3.4 We understand that there is no policy setting out the necessary marketing period that is required in order to demonstrate that retail space is no longer 'viable' and that for that reason change of use can be considered. Savills have informed us that they consider CPG5 (Para 3.60-3.61) to be of relevance in this case:

*As a guide we will resist schemes that result in:*

- less than 50% of ground floor premises being in retail use; or*
- more than 3 consecutive premises being in non-retail use.*

*We will take into account any history of vacancy in the centre and the viability of retail use at that location (see section 3 below).*

3.5 The implication is that Savills consider retail use to be 'unviable' for this particular building.

### 4.0 MARKETING HISTORY

4.1 The marketing has taken place over the course of a year. The following marketing strategies were undertaken by local agency Salter Rex:

- A marketing board was erected on 29th of July 2014;
- posting of vacancy online, on Focus Co-star group and EACH;
- marketing particulars were initially sent to registered applicants on Salter's database, who were looking for retail and light industrial/warehouse space in Islington, Camden and surrounding areas;
- marketing particulars were circulated by Focus;
- details of the retail space were displayed on the agent's website from 24th June 2014 onwards

4.2 The Marketing Report provides sufficient documented evidence of the marketing process, including scanned copies of the advert placed in the 'Ham & High' local paper.

4.3 No serious interest was secured for potential A1 Use. There was some interest from a party seeking A3 use but we understand this use would not be permitted by the Council in this locality. Salter Rex state that, "*Only one agent brought round a potential occupier who dismissed the space due to the access and light issue of the basement which would not work for his printing business.....During the period of our marketing we had 20 enquiries which resulted in only 4 viewings*".

## 5.0 BUILDING LIMITATIONS

5.1 Salter Rex have listed the retail unit's purported disadvantages which it believes are the reasons for the lack of interest from potential occupiers:

- *Proximity to numerous residential neighbours could lead to complaints for certain uses.*
- *No viable space for loading and unloading which occupiers wanting this amount of space sometimes look for.*
- *Difficulty parking on Chalcot Road as it is a busy through road with limited pay and display*
- *and double yellow lines.*
- *This is not a major shopping area that would support a retail unit that would take all of the*
- *ground floor and basement.*
- *The commercial office sector is very volatile at the moment and there is a good supply of Retail space much closer to public transport and amenities or with better parking availability.*

5.2 The following reasons were given by those parties that viewed the property to explain why they were not interested in making an offer:

- *1) The rear part of the basement and ground floor was too dark for the kind of retail operators that were interested in this location and the leftover space was not suitable for a separate tenant*
- *2) The layout of the property is such that there would be conflict between a standalone retail use and the residential accommodation within the building, especially in terms of the access to each part.*
- *3) A number of potential tenants were put off by the relatively limited footfall and passing traffic at this location, meaning that the site would not be suitable for their requirements*

5.3 We note that the front of the retail unit does appear to be a good shape for retail space, up to the partition wall where the 'wooden platform' starts. The rear section of the ground floor is of limited use as retail space as it is screened off from main area. And even if this partition wall were to be removed, this area would still have poor natural light and would be sub-optimal as retail space other than storage and other ancillary uses. Moreover, this area would need to accommodate bathroom facilities for the self-contained retail unit. We suggest therefore that the agent may have been over-optimistic about the level of 'usable', good retail space in the building.

5.4 The hallway is shared between the residential and retail, and the basement (ancillary retail) is also accessed via this hallway and its connected stairwell, which poses problems if the basement were to be used as ancillary retail storage space given that the movement of stock in and out of the building via this route would disrupt the resident's access. While arguably not an insurmountable obstacle to mixed use of the building, it does reduce the value of the building in mixed use and will likely impact on achievable values for the residential units.

5.5 We have requested details regarding the layout of the building. The floorspace is 329 sqft (£31 sqm) on the ground floor. The mixed use of the building would mean that the ground floor bathroom would be in residential use, thus an additional bathroom would need to be provided in the retail unit, which would reduce the space useable as shop floor and storage space. The 'usable' shop-floor retail space would be considerably lower than 390 sqft, and while this should perhaps have been more taken into account in setting the asking rent for the property, we do accept that the asking rent is not overly excessive.

## 6.0 MARKET RENT

- 6.1 The unit was marketed at an asking rent of £45,000. The key comparable referred to by the applicant is No. 42 Chalcot Road which was let to a hairdressers in August 2014. This has 200 sqft (£19 sqm) of ground floor space. It let for £19,000, on a 10 year lease with tenant break at year 3 and no rent free period. This is £95 per sqft (£1,022 per sqm) of ground floor space. We do not know precisely how large the basement is for this property.
- 6.2 The subject Property has 392 sqft (36 sqm) of ground floor space and 780 of basement. Applying the £95 per sqft (£1,022 per sqm) rate of No. 42 to the ground floor gives £37,240. Once adjustment is made for the basement which we believe is bigger than No 42's, this would reach a figure similar to the £45,000 asking rent. In this context, it is difficult to maintain the firm view that the £45,000 asking rent was excessive by a large margin, and that overstating the asking rent is the reason for the limited interest in the property. It is common for interest be generated even when the asking rent is somewhat higher than potential occupiers are willing to pay.
- 6.3 However, as stated above, the level of usable retail space may turn out to be lower than 392 sqft (36 sqm), which suggests that £45,000 may be overstated although is nevertheless a not unreasonable 'starting point' for marketing the property.
- 6.4 The adverts for the property that are included in the Marketing Report do not state that the £45,000 is a negotiable rent. Nevertheless, this is in our view implied and it is reasonable for potential occupiers to infer that they may realistically be able to negotiate down the figure cited in the adverts. Salter Rex were, they state, *"...informing people that any rental offers would be seriously considered as long as the use was reasonable and would not have an effect on the adjoining residential neighbours."*
- 6.5 We have analysed the other comparable evidence that has been provided by Salter Rex, and consider this to be consistent with the letting of 42 Chalcot Road, which tends to support our conclusion that £45,000 may be a somewhat optimistic rent to apply.
- 7.0 The 2010 VOA Ratings valuation for the shop premises is £16,250. This tends to support our view that the rent of £45,000 asking rent applied to the shop may have been overstated. The VOA has assigned £60 per sqft (£646 per sqm) to the ground floor retail, and £3 per sqft (£32 per sqm) to the basement.

**BPS Chartered Surveyors**