



## Non-Residential and Workspace Commentary

June 2016



# 4ORTY

ASSET MANAGEMENT

in partnership with



Report in Relation to

156 West End Lane, West Hampstead, London NW6 1SD

June 2016

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Forty Asset Management (hereinafter referred to as 'Forty') works in partnership with housing associations and private developers to deliver the non-residential element within mixed-use schemes.

Forty provides development consultancy, asset management, project management, and sales and lettings advice.

Forty works in partnership with an in-house commercial estate agency and firm of chartered surveyors, Stephen & Matthews Limited ([www.stephenandmatthews.com](http://www.stephenandmatthews.com)), which provides real-time data and commentary on the commercial sector, as well as commercial agency sales and lettings.

## **Introduction**

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Forty has been instructed to provide a consultant's report in relation to the proposed non-residential floorspace in the submitted planning application (2015/6455) following requests by Camden Council officers to provide further information in relation to the suitability of these spaces meeting the needs of future occupants.

The proposals include a flexible non-residential ground floor unit (A1, A2, A3, D1 or D2 Use (891 m<sup>2</sup>); four ground floor start-up units (271 m<sup>2</sup>); and first floor flexible employment floorspace B1 Use (600 m<sup>2</sup>).

## **Commentary on the Local Area**

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West Hampstead is located in the London Borough of Camden and its main thoroughfare is known as West End Lane. This is a mixed commercial and residential location, and serves as a retail and leisure hub for the surrounding residential communities.

The location benefits from both underground, overground and Thames Link stations, which provide excellent transport links to the surrounding network. The area has traditionally served as a local convenience and lifestyle retail location, plus it has been known as a restaurant, evening dining and night-time economy location.

In recent years, the profile of the location has improved with the addition of developments in and around West End Lane, which should improve the commercial offer. West End Lane is awash with independent boutiques, charity stores and popular clothes shops.

West Hampstead, as a location, is flanked by Hampstead, Swiss Cottage and Kilburn. Hampstead Heath is a short walk away, as are the shops, cinemas and leisure complexes of Swiss Cottage and Finchley Road.

Art Deco influences can be seen in several properties, while contemporary architecture is appearing more and more frequently. There is a vibrant coffee-shop scene, and independent restaurants and retailers sit alongside the more familiar, branded tenants. After its success in Hampstead village, The Hampstead Butcher & Providore has now opened its doors in West Hampstead.

The O2 Centre on Finchley Road, located to the east of the site, has a number of eating and shopping options, a cinema and a Virgin Active gym with a swimming pool.



## Transport

### Tube

West Hampstead Tube station in Zone 2 is on the Jubilee Line, and a journey to Bond Street takes approximately nine minutes.. Overground trains regularly depart for Richmond, Stratford and Clapham Junction.

### Rail

Trains run from West Hampstead Thameslink station to St Pancras, South London and Brighton.

### Buses

There are buses that travel south into the city, including the 139 (to Waterloo) and the 189 (to Oxford Circus), both of which are 24 hour services. The 328 (to Chelsea) and the C11 (to Archway) pass through West Hampstead.

## Research

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### Commentary on Local Developments

As Appendix B shows, there are various schemes in the pipeline or being developed in the area; the most applicable being the Ballymore scheme at 187–99 West End Lane, which is known as West Hampstead Square. This will house a circa 6,800 ft<sup>2</sup> M&S Simply Food. We understand that the tenant is only shortly to take occupation of the space, albeit they signed up to the scheme in mid 2014.

The developers are extremely secretive over transactional information, but we understand that the rent agreed by M&S is in the order of £30 per ft<sup>2</sup>. There is additional commercial accommodation available, comprising a ground-floor unit of circa 267 ft<sup>2</sup> available at £27,500 per annum exclusive (PAX) and a first-floor D1 space of 867 ft<sup>2</sup> available at £27,500 PAX.

The remaining commercial space that will be coming available in the area offers employment space or secondary commercial locations, which will not impact on the delivery of commercial space on the ground floor of the development. Further information on local developments is provided in Appendix B.

### Comparable Rents

As the above illustrates, the location of West Hampstead has been compared to Kilburn, Swiss Cottage (which includes the O2 shopping centre on the Finchley road) and Hampstead.

Area	Use Classes (£ per ft <sup>2</sup> )		
	A1	A2	A3
Kilburn	30–35	25–35	20–30
Swiss Cottage	40–50	35–45	30–40
Hampstead	145–165	130–145	35–50

Current rental evidence for new lettings in West Hampstead ranges from £27.50 to £32.50 ft<sup>2</sup>, although there is evidence that, for smaller A1/A3 units of sub 1,000 ft<sup>2</sup> lettings, rental is in excess of £40 per ft<sup>2</sup>.



All indications are that the location continues to improve, which is in part due to the delivery of new developments and good-quality, new-build commercial space that is easily adapted and suitable for branded tenants. Therefore, we feel comfortable in assuming a base rent of £35 per ft<sup>2</sup>.

## Convenience & Supermarket Research

There have been substantial changes in the convenience and supermarket sector. The big four supermarket chains, namely Tesco, Sainsbury's, Morrisons and Asda, have slowed down in terms of profitability and store openings.

Tesco announced recently that it will close 43 unprofitable stores, the majority being convenience stores, and it will also shelve plans for a further 49 very large store formats. The rise of discount stores such as Aldi and Lidl has put substantial pressure on these operators, albeit that Tesco, Sainsbury's, Morrisons and Asda still hold 75% of the UK grocery markets.

Tesco is still the UK's largest retailer, with a grocery market share of nearly 30%. In addition to the competition from the discounters, there has been an element of 'trading up' with people looking for a better product. This is illustrated by Waitrose posting record festive period sales for 2015.

Camden Council commissioned a *Retail and Town Centre Study* by GVA in 2013; this considered the function of West Hampstead and proposed that policies should proactively support proposed floor space for convenience goods in West Hampstead, which was noted to offer a poor supply of this.

Since the commissioning of the GVA report, there has been the addition of new convenience shopping facilities, namely:

- Waitrose taking over the Pizza Express location at 319 West End Lane, London NW6 7RN;
- Sainsbury's Local at 204 West End Lane;
- M&S Simply Food in the Ballymore scheme at 187–189 West End Lane, London NW6 2LJ (known as West Hampstead Square), which is opposite West Hampstead underground station and will shortly open.

The locations of convenience stores offered in the context of West End Lane are identified on the map included in Appendix C.

## Commentary on Current Commercial Requirements

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Historically, West Hampstead has suffered from a lack of development on West End Lane. This has limited the number of larger format stores coming to the market (i.e. those in excess of 3,000 ft<sup>2</sup>). As can be seen by the assignment of the Pizza Express unit at 319 West End Lane to Little Waitrose, larger format units are in high demand.

In Appendix A, there is a current list of requirements for the West Hampstead area, along with commentary and specification requirements.

As the requirements listed in Appendix A demonstrate, there are organisations looking for a floorplate of circa 7–8,000 ft<sup>2</sup>. There are also organisations, both retailers and restaurateurs, looking for units of between 3,000 and 4,000 ft<sup>2</sup>.

The requirements list in Appendix A identifies that both Aldi and Lidl have a requirement for a location in West Hampstead. An initial expression of interest from Lidl and Aldi, both of whom will consider the location and the size, without parking, and with an adequate servicing provision.



The schedule in Appendix A also illustrates that both Planet Organic and Wholefoods have requirements in the area. These are the high-end specialists in the convenience sector. Initially, conversations with Planet Organic indicate it has a desire to enter into a new lease for circa 4,000 ft<sup>2</sup> at a rent of £35 per ft<sup>2</sup>.

It should be noted that all of the tenants, bar a few individual specific requirements, require units in the developer shell with the shop fronts installed.

It is our recommendation that, when considering the context of this location as a prime retail and restaurant location, any enhancement to the proposed space will be unnecessary and will not have a positive impact on the attraction to tenants.

This is a prime location and the anticipated interest will be from branded, multiple and good quality operators that will look to create and imprint their own identity and take the unit from shell to fitted out.

In addition, it is essential that the unit is not defined in the context of a restriction against use as a single floorplate, as this will prevent larger format tenants from considering the space. Due to the confines of West End Lane in terms of the delivery of large scale mixed-use schemes, it is unlikely that there will be many units of this size being delivered in coming years.

Therefore if the location is to retain expenditure, particularly in the convenience sector, it is essential that units such as this are not restricted from being offered to the market as a single floorplate.

## Recommendations

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### Ground Floor – Fronting West End Lane

Due to its prime location on West End Lane, the ground floor commercial space is best suited to A1, A2, A3 & D2 use. This is supported by the current requirements identified for the area. There are requirements that will consider a ground-floor plate of circa of 7000 to 8,000 ft<sup>2</sup>.

In addition, there are requirements for units of 3,000 to 4,000 ft<sup>2</sup>. However, as this scheme is several years from completion, the ground-floor plate should be provided as a flexible space capable of sub division, but not restricted too, so as to preserve the option of a single letting. It should be noted that there is a large proportion of smaller units, especially in the village, serving comparison goods rather than convenience stores.

A single, flexible floorplate will create options for a large-format convenience store and ensure the preservation of smaller units in West End Lane, which are the lifeblood of the location. The lack of larger-format stores may well result in the integration and combination of smaller units to create a much-needed larger floorplate.

For additional commentary on the specification, please see the generic information below, which will assist in ensuring that the ground-floor space provides maximum flexibility for its use.

#### A1/A2/A3 Use

Depending on the location's final use, the following specification points will need to be considered:

##### 1. Head Height

The ideal requirement is a minimum of 3.2 m<sup>2</sup>, but it is preferable to have this as close to 4m as possible. If there are proposed drainage runs on the underside of the ceiling, then these should be as flush with the ceiling as possible to prevent a reduction in usable head height.

## 2. Shop Fronts

These should ideally be installed. An example specification is a glazed façade curtain, walling only, with no access control; standard Union-key locking provided by the seller; 75mm mullion and 75mm transom; aluminium powder-coated 30% gloss; and external glass of 6.4mm with 16mm argon.

## 3. Pillars

Spacing should be considered so as not to create 'dead zones'.

## 4. Utilities

For retail use, 160Kva/200AMP 3-phase electricity and a minimum of a 32mm water main are required. For A3/A4, gas is required as well as electricity and water; as a guide, the requirement is for 500,000Btu per hour or 146KW/hr. Capped services that are ready to be metered are an essential element to enable a letting.

## 5. Risers

This is in relation to A3 use, where appropriate. The normal requirement is for a 500x500mm square or 600mm diameter duct, which is fire rated.

## 6. Refuse

Dedicated commercial bin stores will need to be provided to store the large, commercial, 'euro cart' bins for each unit. Large-space users will require between two and four of these bins.

## 7. Emergency Escape

It needs to be checked that there is sufficient capacity to provide emergency escape from all the units, including where there may be a potential division of units. For large-space units, a secondary means of escape will be required, which must be a minimum of 850mm wide.

## 8. Signage

It needs to be confirmed whether there will be a signage area/zone or whether this will be restricted to a certain height above the glazed frontage. The normal requirement is that it must be a minimum of 500mm high.

## 9. Extraction & Plant Area

It needs to be confirmed that there will be sufficient capacity for extraction and somewhere to place condenser units as well as any M&E equipment that is required to operate in the units that are A1 or A3. Large-space users will require a dedicated plant area with a floor loading of 5.0KN/m<sup>2</sup>, which is capable of loading up to 8 No. condensers, carbon filter pack, air-handling units and extractor fans.

It should be noted that there have been various discussions in relation to the potential specification required to enable lettings. As previously mentioned, the condition of a unit in the developer's shell can be a stumbling block to attracting and securing suitable tenants in more secondary or tertiary locations.

Independent operators are not able to swallow up substantial fit-out costs in the way that a multiple-branded operator can and, therefore, require incentives, capital contributions or enhanced fit out in order to assist with the cost of entry.

However, this is a prime retailing-and-restaurant position and the majority of the requirements looking for correlation in the area show that they do not require anything other than a shell-condition unit with capped-off services and the shop front installed.



## 1<sup>st</sup> Floor and B1 Ground Floor Startup Space

The scheme is currently configured to provide start up units totalling 271 m<sup>2</sup> over four units, as well as a flexible employment space over the first floor of 600 m<sup>2</sup>. It is understood that the continued progression of permitted development rights in London has seen a substantial effect on the supply of office space, with current central London vacancy rates at an all-time low of sub 4%.

The vacancy rate now stands at a low 3.6% across central London as a whole; the lowest rate since 2001. This reflects a further fall to 4.1% in the City and to 5.4% in Docklands, whilst the West End was broadly stable at the all-time low of 2.6%. As an outcome of this, we are seeing increased levels of speculative developments, which will spur on further pre-leasing by tenants who are unable to secure space in the current market.

With the continued conversion of office space to residences through permitted development rights, there is increasing pressure on London to provide space to meet the demands. Occupiers will look beyond the traditional office markets to emerging locations, particularly those offering lower rates of entry. West Hampstead is not an established office location, but is a location that will benefit from this movement.

In addition, there is a substantial shift in the markets to flexible, affordable rates of entry for employment floorspace. The element of affordability can be defined by cost and size. In circumstances where people can occupy small flexible floorplates at low rates of entry, with opportunities for 'grow on' space, this offers excellent assistance to businesses and enables entrepreneurial growth.

The current upward trend for the provision of flexible floor space means it is likely to make up a large proportion of new floor space being delivered in the area. Start up, co-working ground space is an essential part of the evolution of the boroughs. The latest figures show that the average annual cost for a workstation in central London stands at £19,683 in a conventional office. The equivalent cost to a company with flexible working space is £10,648. In addition, one in six jobs being created in London are within creative industries.

Considering rents, as discussed earlier, West Hampstead is not an established office location and, therefore, it is difficult to find suitable comparisons. From an initial review, there seems to be little new build space, with most office buildings being converted into mews or historic buildings. Therefore, we have considered peripheral areas such as Camden and South Hampstead to get a clearer idea.

The rents indicated below vary depending on the quantum floor space available in the location. Most office lets are often on small floorplates, reflecting the type of stock that is available.

West Hampstead - London Borough of Camden	£ / ft <sup>2</sup>
B1 (New build / modern)	55 to 65
B1 (Refurbished space)	45 to 55
B1 (Secondhand space)	40 to 50

Standard people-per-space ratios continue to decline. Traditional office space may well have been 300 - 400 ft<sup>2</sup>. Today, that is expected to be in the sub-200 ft<sup>2</sup> per person range. Of course, that considers a multi-functional office building with a variety of room uses (e.g. offices, meeting rooms).

A co-working facility will be different. Outside of general people space, restrooms are the only additional requirement. Most spaces have an entry or reception area. Some provide a variety of work spaces (e.g. desks, lounge seating, a bar). If you are only offering basic co-working seating, this is well below the 100 ft<sup>2</sup> per person range.

The development offers a good location for the provision a 1<sup>st</sup> floor co-working affordable workspace offer and ground floor dedicated start-up space for individual companies.



The ground floor offers an attractive opportunity for self-contained units for independent companies, fostering the endeavour to support startup businesses in the area and from the local community.

It is envisaged that the ground floor start up space will be well suited to artists studios and independent creative media uses. The GLA commissioned a report (Artists & Workspace Study September 2014) into artists and creative workspace and found that some 3,500 studios were under threat of development to residential uses.

In addition there are some 35,000 graduates from Art and Design Colleges every year. The size and configuration of the start-up units will be well suited to this offer, if made available at affordable rates of entry, to be defined by further research

## **B1 Startup Space**

Assuming a B1 workshop/studio use, we would suggest a basic fit out, as follows:

- Level screed of 50-75mm thickness in isocrete K screed (or similar). Alternatively, 65mm sand cement screed.
- A metered electricity supply to each unit, with a 3-phase supply.
- A capped SVP provision, to allow for any sanitary connections by the buyer.
- A capped Thames water supply.
- A glazed façade curtain, walling only, no access control; standard Union-key locking provided by the seller; a 75mm mullion and 75mm transom; aluminium powder coated 30% gloss; and external glass 6.4mm with 16mm argon.
- Walls finished with dot-and-dab plasterboard lining and painted with white emulsion. A white painted soffit.
- Temporary festoon lighting or similar strip lighting with individual switches per commercial unit

This stripped back, basic fit out will present well and should be sufficient to enable a letting.

## **Conclusion**

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The proposed commercial space will offer much-needed, good-quality new build accommodation in a location that has seen little or no suitable accommodation of scale for many years.

The requirements detailed in this report outline a need for prime units at ground floor, in a developer's shell condition, ready to be fitted out.



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## Appendix A

### Commercial Requirements

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Tenant	Size (ft <sup>2</sup> )	Comments	Specification
Superdrug (A1)	2,000–4,500	Requested information.	Developer's shell with capped services and shop fronts installed.
Holland & Barrett (A1)	900–7,000	No feedback.	Developer's shell with capped services and shop fronts installed.
Sorbet (A1)	650–1,300		Developer's shell with capped services and shop fronts installed.
Balan's Soho Society (A3)	2,500–4,000		Developer's shell with capped services and shop fronts installed.
Pets at Home (A1)	3,500–6,000	Needs some parking. Registered interest.	Capped services, shop fronts installed and screeded floor.
Notting Hill Bookshop (A1)	500–2,000		Capped services and shop fronts installed.
Hush Brasserie (A3)	1,800–3,500	Requested information.	Capped gas services and shop fronts installed.
Byrons (A3)	3,000–4,000	Registered interest.	Developer's shell unit with capped services, including gas supply, and shop fronts installed.
Côte Brasserie (A3)	3,000–4,000	Registered interest.	Developer's shell unit with capped services, including gas supply, and shop fronts installed.
Bills (A3)	3,000–4,000	Registered interest.	Developer's shell unit with capped services, including gas supply, and shop fronts installed.
Planet Organic (A1)	4,000	Registered interest at rent of £35 per ft <sup>2</sup> for occupation in 2018.	Developer's shell with capped services and shop fronts installed.
TriYoga (D2)	3,000–7,000	Requires D2 consent.	Developer's shell unit with capped services, including gas supply, and shop fronts installed.
Gails (A1/A3)	1,000–2,000	Needs extractor due to baking on premises.	Developer's shell unit with capped services, including gas supply, and shop fronts installed.
Patisserie Valerie (A1)	1,000–2,000	Registered interest.	Developer's shell with capped services and shop fronts installed.
Knight Frank (A2)	2,000	Requires A2 consent.	Developer's shell with capped services and shop fronts installed.
Wahaca (A3)	2,000–5,000		Developer's shell unit with capped services, including gas supply, and shop fronts installed.
Lidl (A1)	10,000	Registered interest.	Developer's shell with capped services and shop fronts installed.
Anytime Fitness (D2)	4,000–8,000	Requires D2 consent.	Developer's shell with capped services and shop fronts installed. Requires a D2 use.
Wildwood (A3)	3,000		Developer's shell with capped services and shop fronts installed.
W H Smith (A1)	2,000		Developer's shell with capped services and shop fronts installed.
Aldi (A1)	6–10,000	Registered interest	Developer's shell with capped services and shop fronts installed.
Busaba Ethai (A3)	3,500–6,000		Developer's shell with capped services and shop fronts installed.
Gymbox (D2)	7,000–8,000	Registered interest	Developer's shell with capped services and shop fronts installed.



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## Appendix B

Review of Developments in the Local Area

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**App No:** 2011/6129/P  
**Site Address:** 187-199 West End Lane, London, NW6 2LJ  
**Description:** Redevelopment of the site to create seven new buildings, between five and twelve storeys in height, to provide 198 residential units (Class C3); retail, financial and professional services, and food and drink floorspace (Class A1, A2, A3 and A4); and flexible employment/healthcare floorspace (Class B1/D1) along with an associated energy centre, storage, parking, landscaping and a new public open space (existing buildings to be demolished).  
**Status:** Granted subject to S106.  
**Decision:** 19/12/2011

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**App No:** 2008/1039/P  
**Site Address:** 100 West End Lane, London, NW6 2LU  
**Description:** Change of use of the accommodation ancillary to the public house (Class A4), over part of the basement and part of the first, second and third floors, to 14 self-contained flats (Class C3) comprising 9x studios, 2x 1-bedroom, 2x 2-bedroom and 1x 3-bedroom, together with alterations at roof level, including new fenestration, to provide additional accommodation at roof level, a second-floor extension onto Broadhurst Gardens, and the creation of a new disabled-access ramp onto Broadhurst Gardens.  
**Status:** Granted subject to S106.  
**Decision:** 14/04/2008

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**Site Address:** Liddell Industrial Estate, 1-33 Liddell Road, NW6 2EW  
**Description:** The proposals were introduced to the Council for EIA screening on 21<sup>st</sup> November 2014. The mixed-use redevelopment of the site was to include a four-form entry infant school, a nursery, and approximately 100 residential units in an eleven storey building and a 4/5 storey terrace, with approximately 4,000 m<sup>2</sup> of workshop in a 4/5 building. Phase 1 was granted permission on 18<sup>th</sup> December 2014, and included site clearance, the school building and access roads. Phase 2 was granted permission on 18<sup>th</sup> December 2014. It consisted of Block A (five storeys), which was to provide 3,700 m<sup>2</sup> (GIA) of mixed commercial units (Class B1), Block B (eleven storeys) and Block C (five storeys), which was to provide 106 mixed tenure residential units (Class C3).  
**Status:** The applicant is currently discharging the planning conditions attached to the above.  
**Decision:** 18/12/2014

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**App No:** PWX0202103  
**Site Address:** 14 Blackburn Road, London, NW6 1RZ  
**Description:** Permission was granted for redevelopment of the whole site by the erection of a four-storey eastern block, comprising two Class B8 and eight Class B1 units with an associated service yard, together with a four-storey, plus basement, western block comprising eight houses and six self-contained flats with associated underground car parking.  
**Status:** The applicant discharged the final decision on 16<sup>th</sup> February 2009. It would appear that permission was never implemented and has now expired. Builder Depot remains the current occupier.  
**Decision:** 06/01/2004

**App No:** 2013/7505/P  
**Site Address:** 159 Iverson Road, London, NW6 2RB  
**Description:** Planning permission was granted for the demolition of the existing building and the erection of two buildings ranging between one and six storeys high, comprising 19 residential units and 164 m<sup>2</sup> of employment floor space.  
**Status:** The applicant is currently discharging planning conditions.  
**Decision:** 21/02/2014

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**App No:** 8803800  
**Site Address:** 153-163 Broadhurst Gardens, London, NW6 3AU  
**Description:** In 1988, permission was refused. This was for a change of use to 21 apartments, including the erection of additional storeys to the rear.  
The public exhibition was held in October 2013.  
The development proposals included 39 apartments and ground floor commercial units. No planning application followed the public exhibition.  
**Status:** The site remains undeveloped.

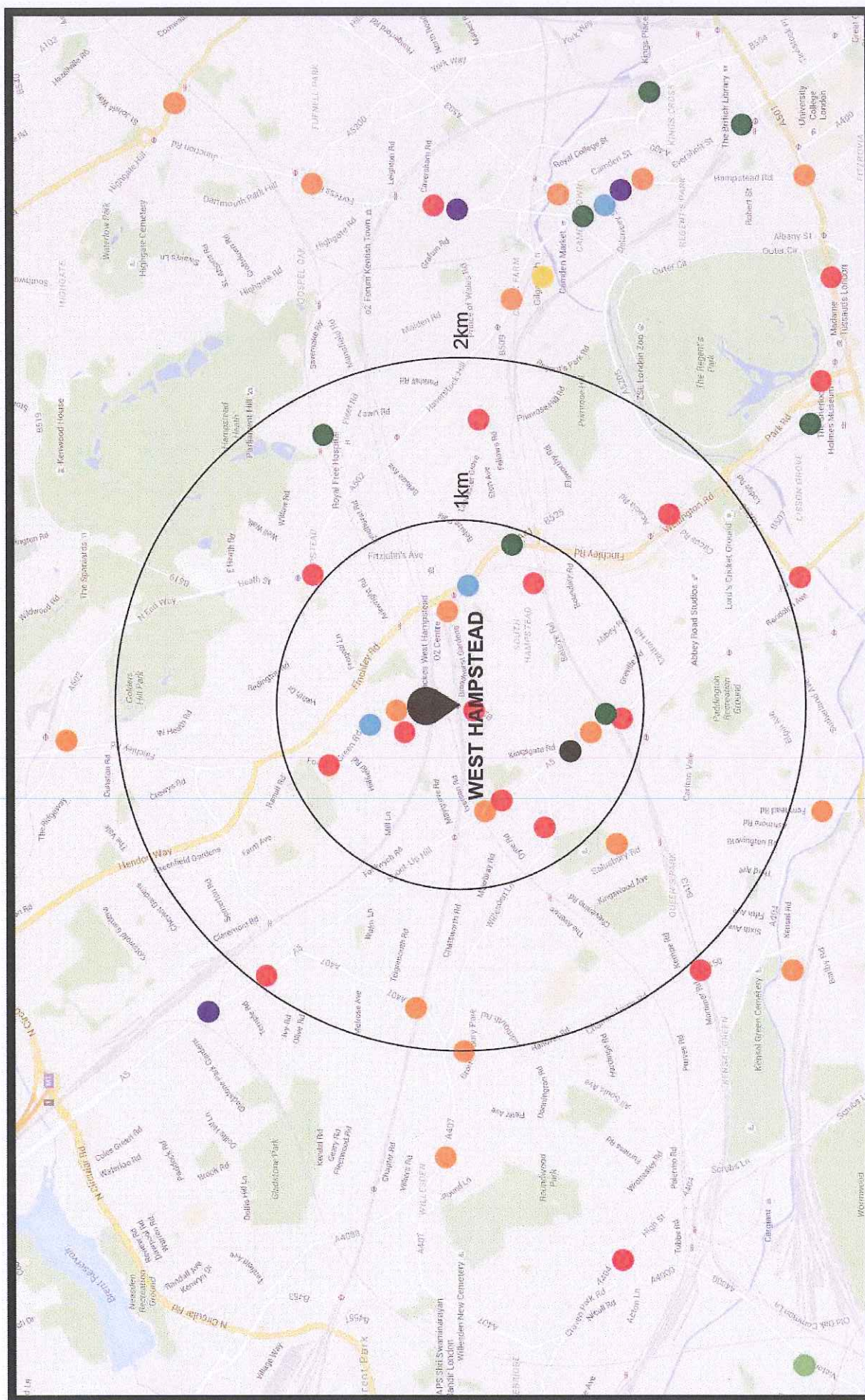


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## Appendix C

### Convenience Map



## Existing Convenience Stores

- Sainsburys
- Asda
- Tesco
- Lidl
- Waitrose
- Aldi
- Morrisons
- M&S Food