



Workspace Provider Dialogue

June 2016

40RTY

ASSET MANAGEMENT

in partnership with



report

Affordable Workspace Provider Dialogue

In relation to

156 West End Lane, West Hampstead

June 2016

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Executive Summary

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Forty Asset Management work in partnership with housing associations and private developers to deliver the non-residential element of mixed use schemes. Forty provide development consultancy, asset management, project delivery and sales and lettings advice.

Forty work in partnership with in-house commercial estate agency and firm of chartered surveyors, Stephen & Matthew (www.stephenandmatthews.com) who provide real time data and commentary on the commercial sector as well as commercial agency sales and lettings advice.

Introduction

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Forty has been instructed to provide a consultant's report in relation to the proposed employment 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 proposal includes four ground floor start-up units (totalling 271m²) and first floor flexible employment floorspace B1 Use (600m²), totalling over 9,000 sqft of flexible employment space).

Forty have carried out an investigative review into the current market requirements and anticipated occupier interest in the workspace offer. All occupiers were contacted by telephone, forwarded all information and plans by email. Follow up calls were made to discuss specific requirements in relation to the opportunity and discuss interest.

This report should be read in conjunction with this firm's initial consultancy report, submitted 4 June 2016, providing commentary on the non-residential elements of the scheme.

Commentary on 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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As part of the initial research, a variety of reputable workspace providers were contacted via telephone and email. These operators were identified by Camden Council as well as being known as having active requirements for space. The selection below is not a definitive list of workspace providers, more a snapshot of a tenants currently seeking workspace opportunities.

The tenants were contacted by telephone and email to ascertain the following information, specifically relating to the scheme and proposed workspace offer:

1. **Is a West-Hampstead location favourable for affordable workspace provision?**
2. **Does the proposed development fit relevant business model?**
3. **Does the proposed unit configuration meet initial requisite for workspace provision?**
4. **Proposed lease terms and any calculator used for rent?**
5. **In what condition would the unit be acquired? i.e. What spec? Shell and core etc.**
6. **What type of affordable space would be on offer for start-up companies?**
7. **Any tenant specific terms i.e. hours of use etc.**

Occupier Dialogue

Operator: Dephna Group

Address:

2 Portal Way, London W3 6RT

Business Model:

Dephna Group's expertise is in serviced spaces from kitchens & cold rooms to storage & offices all available on flexible terms (licenced occupation).

Requirements:

Dephna Group are mostly interested in acquiring freehold interest and need a minimum of 7,000 sq ft to deliver their serviced business premises. A scheme in West Hampstead would be favourable due to an existing scheme within their portfolio with similar size requirements. Their terms of lease for a site in West Hampstead would be agreed on a 10-year lease, with 1 year's rent free with a base rent circa £50,000 pax with turnover top up provision. They would only consider a shell & core fit out as they would prefer to fit the unit to their desired specifications.

Additional Comments:

The affordable space is mostly provided on a 3 months' minimum licence term, all-inclusive rents. The preferred hours of use would be 24-hour access.

Operator: The Brew

Address:

Eagle House, 163 City Road, London, EC1V 1NR, United Kingdom

Business Model:

The brew provides affordable work spaces in multiple locations. They cater to sole traders, freelancers, start-ups, small business.

Requirements:

The Brew are interested in acquiring freehold interest and need a minimum of 25,000 sq. ft. to deliver their serviced business premises. A scheme in West Hampstead would be too small. However they are keen to grow their portfolio and would consider the location as an onerflow if they were able to source additional suitable space in a similar timeframe. They would only consider CAT A fit out with suitable partitioning. They did not indicate the level of rent they would be prepared to pay.

Additional Comments:

The affordable space would be provided on hourly pre-pay vouchers to occupiers on very flexible terms to facilitate affordable workspace.

Operator: Impact Hub

Address:

34B York Way, London N1 9AB

Business Model:

The Impact Hub community is made up of social businesses. Their members are entrepreneurs, social investors, freelancers, advocates, campaigners, creatives, artists, consultants and coaches. They provide touchdown meeting spaces and hot desks; flexible exhibition and events space; fair-trade and organic cafe bar; training workshops and music space.

Requirements:

Impact Hubs requires space as a minimum 6,000 sq. ft. but their ideal size is 10,000 sq. ft. They would ideally prefer all on one floor, but would also consider spaces over several floors, including spaces with retail and some element on the ground floor (providing that is not the majority of the space). They are not interested in spaces where the majority of the available footprint is on the lower ground floor or in the basement.

They would consider buildings in any condition, including those in a shell and core and those requiring modernisation and/or upgrading. They usually seek a minimum of a 10-year lease with break terms and rent review subject to negotiation. If the space is part of a larger building, then we would need 24 hr access and ideally their own dedicated entrance.

They are open to a discussion around spaces in all Zone 1-2 areas but are particularly interested in the Kings Cross/Euston/Camden/Caledonian Rd Area. The rent they would be proposing to pay would obviously vary on the location, building and lease terms. They would always be seeking to a low rate of entry due to their off the positive impact their activity has on the local area.

Additional Comments:

The serviced business spaces are offered on a monthly licence to occupy fully inclusive of rent, rates and service charges, requiring a month's termination notice exercisable by either parties.

Operator: TSI Consultancy

Address:

338 City Road, London EC1V 2PY

Business Model:

TSIC specialise in business consultancy and planning. TSIC provides support to a wide range of charities, social enterprises and social purpose businesses. The core service offerings are Social Impact Assessment, Charity Revenue Generation and Business Planning, Corporate Philanthropy and Research.

Requirements:

None at the moment.

Additional Comments:

None at the moment.

Operator: The Ethical Property Company

Address:

The Old Music Hall, 106-108 Cowley Rd, Oxford OX4 1JE

Business Model:

The Ethical Property Company is a unique social business, managing commercial property that supports the work of some of the UK's most dynamic and influential charities and not-for-profit organisations. With over 20 owned and managed Centres across England, Scotland and Wales, they provide office, event and retail space and IT support to over 1000 organisations each year.

Requirements:

None at the moment.

Additional Comments:

None at the moment.

Operator: Can Mezzanine

Address:

7 - 14 Great Dover Street, London, SE1 4YR

Business Model:

Their business model is to provide the following services: office space, hot desks, meeting rooms, virtual office solutions and property advice.

Requirements:

Their requirements start from 24,500 to 38,000 sq. ft. A scheme in West Hampstead would be considered as an open plan style incubator/accelerator space but the floor plate at 156 West End Lane is significantly below their usual requirements. This is due to the fact that their staffing costs can be quite high, therefore the scale of operational floor plate needs to be significant. Terms agreed with Landlords are usually leasehold only terms, and they would negotiate suitable rent free periods. They would only consider CAT A fit out.

Additional Comments:

Space is provided as flexible 12-month license with a 3 month break clause excluding business rates.

Operator: At Work Hub

Address:

105a Euston Street, London NW1 2EW

Business Model:

At Work Hub offers community desk space and co-working space on monthly memberships.

Requirements:

None at the moment.

Additional Comments:

Opening periods are Monday to Friday, from 9am, no re-entry after 5.30pm. Occupiers can buy a day pass or buy a monthly membership, which rolls on a month-by-month basis, with a month's notice to terminate.

Operator: Future First

Address:

66 Hammersmith Rd, London W14 8UD

Business Model:

Future First works to increase social mobility by building alumni communities around state schools to inspire and inform young people about their futures

Requirements:

None at the moment.

Additional Comments:

None at the moment.

Conclusion

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Further to initial discussions with local workspace providers, it is considered that West Hampstead is an area of demand for such operators. The initial research gathered from discussions identifies that the flexible employment space and start-up units proposed at 156 West End Lane would meet both Dephna Group and Impact Hub requirements for workspace in relation to location, size and a shell and core model.

It is therefore considered that the proposed flexible employment space at first floor level as well as the four start-up units at ground floor meets specific operator requirements. It is recommended that discussion with workspace operators should be ongoing to continue to understand the market demand for this proposed space.