



# 136 Gloucester Avenue & 10-12a St George's Mews, London NW1

APPRAISAL OF SUITABILITY FOR EMPLOYMENT USE

2 NOVEMBER 2016

## Contents

1. Introduction .....	1
2. My Instructions .....	2
3. Experience.....	2
4. 10-12a St George’s Mews .....	3
5. Previous Application for 136 Gloucester Avenue .....	4
6. 136 Gloucester Avenue.....	5
6.1. The Property .....	5
6.2. The Proposal .....	5
6.3. Suitability for Office use.....	5
6.4. Affordability .....	6
7. Summary and Conclusion .....	7

## 1. Introduction

- 1.1. This matter concerns two planning applications made by Rolfe Judd Planning Ltd, instructed by Alex Bard (“the Applicant”), to swap the uses of 136 Gloucester Avenue and 10-12A St George’s Mews.
- 1.2. The two sites lie in close proximity to each other in Primrose Hill and provide approximately the same floor areas. 136 Gloucester Avenue is currently in residential use (Class C3) having been comprehensively redeveloped from dilapidated light industrial and office buildings between 2013 and 2015. St George’s Mews is a 1950’s building, which was probably originally designed and used for light industrial purposes, but is currently used as offices (Class B1a).
- 1.3. Camden Council’s Economic Development team have made observations regarding the two schemes, which centre on an assessment of the suitability of the two sites to determine which is best suited for employment use. Specifically the team has made the following comments and observations:
  - 10-12a St George’s Mews provides purpose-built office space with a range of unit sizes;
  - Fully occupied so highlighting the demand for the existing space; and
  - By contrast the application for the previous conversion of 136 Gloucester Avenue highlighted the unsuitability for continued employment use.
- 1.4. The team have concluded that on the evidence submitted, St George’s Mews is considered more appropriate for continued employment use and without further justification they are recommending refusal of the two planning applications.
- 1.5. They have therefore requested for evidence of the suitability of 136 Gloucester Avenue for employment use. The evidence is to include details of:
  - Type of employment space that would be provided;
  - Use types;
  - Number of businesses that can be accommodated; and
  - Whether the floor space would be flexible, affordable and suitable for SMEs.

## 2. My Instructions

- 2.1. John Diver, the planning officer at London Borough of Camden wrote to Rolfe Judd Planning Ltd to ask if the applicant would be willing to reply to concerns express by the Economic Development team and provide a response to their request for evidence.
- 2.2. On behalf of the applicant, Rolfe Judd Planning Ltd has asked me to provide my professional opinion as to the suitability of 136 Gloucester Avenue for employment use.

## 3. Experience

- 3.1. I, Marcel Petrie, am a member of the Royal Institution of Chartered Surveyors and a Partner at BDG Sparkes Porter LLP. I am also a graduate of DeMontfort University, where I read Land Management. I have been in private practice as a Chartered Surveyor since 1997.
- 3.2. For the last 10 years I have specialised in the valuation and negotiation of rents and leases, for the purposes of lease renewals and rent reviews of office, retail and industrial premises in London (including the London Borough of Camden) and the South East of England generally.
- 3.3. I act for both landlords and tenants, which provides me with a balanced view of the market. I am experienced in providing expert evidence to arbitrators, independent experts and to court, and I have acted in this capacity for London Borough of Camden in connection with a lease renewal of a mixed use commercial premises in West Hampstead.
- 3.4. My firm specialise in the disposal and acquisition of office premises in Central London and we have one of the largest specialist agency teams in London. In drafting this report I have been assisted by Paul Gold, who is a co-founding Partner of the firm and specialises in all aspects of office agency.
- 3.5. I inspected (with Paul Gold) both properties on 19 October 2016 and given my qualifications and experience, I consider that I am suitably qualified to assess the suitability of both sites for continued employment use.

## 4. 10-12a St George's Mews

- 4.1. The property comprises a three storey building constructed (10-12 St George's Mews), I estimate in the 1950s, and the first floor of 12a St George's Mews, a two storey building probably constructed in the 1900s.
- 4.2. Camden's economic development team's view is that 10-12a St George's Mews provides purpose-built space with a range of unit sizes. Further they comment that they are fully let, thus demonstrating their suitability and demand for the space as office use. I comment as follows:
  - 4.2.1. **Purpose built:** The premises are not purpose built offices, both having been converted, with 10-12 most likely from light industrial use and 12a from residential. The main draw-backs of this conversion are:
    - 4.2.2. **Access:** The ground floor of 10-12 has its own direct access from the Mews, but access to the first and second floors is via an external staircase. Access to 12a is also directly from the Mews, but it is via a very steep internal staircase to a cramped landing. Therefore only the ground floor of 10-12 could be adapted to afford disabled access.
    - 4.2.3. **Ceiling height:** The ground floor has a raised floor and this gives the unit limited ceiling height.
    - 4.2.4. **Flexibility:** The premises provides 4 separate office suites ranging in size from 37.0 sq. m. (398 sq. ft.) to 84.9 sq. m. (913 sq. ft.). Given the nature of the layout of the premises and access issues, the sizes of the lettable units are fixed, and it would not be suitable for a single occupier.
    - 4.2.5. **Quality of the accommodation:** The external appearance of the property is not very attractive. Although a survey of the condition of the property has not been carried out, from my visual inspection, it does not appear to have been particularly well maintained.

Internally the premises provide basic centrally heated offices, and given the age of the building, mechanical and electrical systems (central heating system and lighting) and windows, it does not provide energy efficient space. In addition, the lighting system is dated and does not meet modern requirements.

- 4.2.6. **Fully let:** The Mews currently offers basic office accommodation. As the applicant has recently purchased the property, I have not been provided with the tenant history. However, it was clear from my discussions with the tenants on the ground and first floors that they had been in occupation for a number of years. Given the age and specification of the building, and its access issues, I consider that if suites became available in the next 3 to 5 years, it would require significant expenditure to upgrade this space so it could be re-let.

## 5. Previous Application for 136 Gloucester Avenue

- 5.1. London Borough of Camden's Economic Development team has expressed concern that the justifications for the site being unsuitable for continued employment use, provided in the earlier planning application, must still be valid.
- 5.2. Prior to the conversion, 136 Gloucester Avenue had been used for a mix of light industrial and office uses, comprising a number of semi-derelict buildings. The primary reason given for the site's unsuitability for light industrial use (Class B1c) was its location away from major arterial roads and the buildings being accessed via an archway from Gloucester Avenue, meant the site was unsuitable for loading and unloading by anything other than small commercial vehicles. This is still the case and therefore the reasons given for the sites unsuitability for use light industrial use are just as valid now. It should also be noted that for the same reasons, access to the site at 10-12a St George's Mews is equally unsuitable for light industrial use.
- 5.3. The reason the site was not considered suitable for office use (Class B1a) was due to the age of the buildings and the very poor quality office accommodation they provided. Marketing carried out at the time by local letting agents Dutch & Dutch demonstrated that there was no tenant demand for the offices without significant investment.
- 5.4. For the reasons detailed in section 6 of this report the new building on the site is highly suitable for use as offices. The factors which meant that the previous semi-dilapidated buildings were not suitable for office use do not apply to the new building.

## 6. 136 Gloucester Avenue

### 6.1. The Property

- 6.1.1. The site is located at the northern end of Gloucester Avenue close to its junction with Regent's Park Road. It is situated approximately 100m from Chalk Farm Underground Station (Northern Line), and Camden High Street is around a 15 minutes' walk.
- 6.1.2. The unit is accessed directly from Gloucester Avenue via an archway and short driveway, accessible by pedestrians, cars and small commercial vehicles.
- 6.1.3. The subject unit is arranged as a 3 bedroom house over ground, first and second floors. The Gross Internal Area is approximately 285 sq. m. (3,066 sq. ft.).
- 6.1.4. The entrance hall leads to a central staircase and to the open plan reception floor, and separate cloakroom and utility room. The first floor is currently configured with 3 en-suite bedrooms and a bathroom. The second floor comprises a small reception room and access to a roof terrace.

### 6.2. The Proposal

- 6.2.1. The current application under consideration is to convert one of the three units on the site to B1 (a) office use from residential use (Class C3). This unit would provide the following net internal floor areas:

Ground floor	122.3 sq. m	1,312 sq. ft.
First floor	89.2 sq. m	960 sq. ft.
<b>TOTAL</b>	<b>211.5 sq. m</b>	<b>2,275 sq. ft.</b>

### 6.3. Suitability for Office use

- 6.3.1. The building will provide modern open plan office space of a high specification. It has been built to the latest building regulation standards, and with its new mechanical and electrical systems (heating, lighting and cooling) means it will provide the highly energy efficient office space now demanded by most office occupiers
- 6.3.2. The current design is consistent with the look and feel sought by occupiers in the technology and creative industries in particular. The unit would require only relatively minor alterations to provide the type of contemporary office space which would appeal to this sector.
- 6.3.3. The proposed space can provide accommodation suitable for a single occupier. Based on standard densities of 1 person per 75 sq. ft. it could accommodate up to 30 people.

6.3.4. The relatively large, open plan floor-plates mean that the space can be easily split up and could provide 6 or more separate office units of varying sizes, as demand dictated.

6.3.5. It is also important to note that with the removal of a small step in the entrance hall, that wheel-chair friendly access can be provided to the whole of the ground floor.

## 6.4. Affordability

6.4.1. Market rents across central London have seen sharp increases over the last few years. This has led to a number of occupiers moving out of established office markets (e.g. Mayfair and Soho) to more affordable locations such as Kings Cross or Shoreditch. The latter is increasingly becoming a hub for the type of “tech” and creative industries occupiers that I would expect 136 Gloucester Avenue would appeal to.

6.4.2. The movement of occupiers from the traditional office locations and the establishment of new office markets, demonstrates that there is an issue around affordability for Central London offices. This is further exacerbated by the high level of rents now being achieved in these new office locations, and anticipated significant increases in the business rates as a result of the 2017 rating revaluation. It is estimated that the rates payable in Kings Cross, Holborn and City Fringe/Shoreditch will increase by circa 70% to just under 100%. In contrast rates payable in Camden are set to increase by 25% to 30%. Business rates are a very significant cost to occupiers, being approximately 50% of the rent payable.

6.4.3. The office at 136 Gloucester Avenue would be let at market rents, so by definition they have to be affordable for SME’s, which would be the type of firms occupying offices of this size. Based on my knowledge of the market and research, I consider that the market rent and rates payable for 136 Gloucester Avenue would be some 30% cheaper than equivalent space in the above mentioned locations. With the increase in total occupational costs at these new office locations, 136 Gloucester Avenue would represent a very affordable option in the context of the Central London office market, and would attract creative and tech SME’s to locate in Camden.



## 7. Summary and Conclusion

- 7.1. In my opinion 136 Gloucester Avenue provides ideal alternative office accommodation for 10-12a St George's Mews. Given its proximity to St George's Mews and similar size, it offers a direct replacement for the office floor space lost by the conversion of St George's Mews.
- 7.2. The offices at 136 Gloucester Avenue will provide office space superior to St George's Mews in most respects:
  - 7.2.1. **Location:** Like St George's Mews the amenities offered on Regent's Park Road (shops, cafés, restaurants etc.) are on the door step. However, it is situated closer to Chalk Farm Underground Station and Camden High Street, so it is superior in this respect.
  - 7.2.2. **Specification:** 136 Gloucester Avenue provides modern open plan "media" style offices which will be highly energy efficient with good disabled access. In contrast St George's Mews offers very basic centrally heated space from a simple conversion of a 1950s light industrial building, which is not energy efficient.
  - 7.2.3. **Flexibility of accommodation:** St George's Mews is arranged over three floors and provides 4 separate office suites. Given access arrangements they could not be combined to provide space for 1 or 2 occupiers. Therefore St George's Mews does not provide the flexibility of space offered by 136 Gloucester Avenue.
  - 7.2.4. **Access:** Both units have direct access via an archway limiting the size of the vehicles which can service the sites. However, only one suite, representing approximately 30% of the space in St George's Mews has ground floor access, and this is compromised by a change in levels between the entrance lobby and the office space. By contrast the whole of the ground floor of 136 Gloucester Avenue, which represents nearly 60% of the total space is at ground floor level, providing superior disabled access.
  - 7.2.5. **Affordability:** St George's Mews is currently fully occupied. However, given the basic specification of the premises, and more importantly, the access issues and its energy inefficiency, I expect it to become increasingly difficult to let without significant investment, if indeed it would be economically viable to do so, which remains to be seen. By contrast 136 Gloucester Avenue can provide high quality offices in the long term with only minimal conversion works and expenditure. It will command higher rents than St Georges Mews but still significantly below the rental levels commanded by offices of equivalent quality in other central London office locations. In my opinion, 136 Gloucester Avenue would represent exceptional value for money in the market. I think it would be viewed by potential occupiers as representing better value than 10-12a St Georges Mews, particularly when the total occupational costs are considered.
- 7.3. In conclusion, it is evident that 136 Gloucester Avenue provides a direct replacement for the office space that would be lost by the conversion of 10-12a St George's Mews to residential use. It will provide the standard of office accommodation demanded by most firms in the tech and creative industries sectors. In contrast St George's Mews will increasingly become less attractive to occupiers in these vital sectors.

- 7.4. With the significant increase in total occupational costs in the King Cross, City Fringe/Shoreditch markets, which have become a hub for creative and tech occupiers, there is demand for and a serious lack of supply of affordable high quality office accommodation. I consider that the conversion of 136 Gloucester Avenue to office use would meet this demand, and unlike 10-12a St George's Mews, in addition to satisfying local demand, could also attract high quality SME's to relocate to Camden.
- 7.5. I would expect 136 Gloucester Avenue to meet the occupational requirements of the tenants at 10-12a St George Street Mews. The applicant would therefore be willing to explore whether there is potential for these tenants to transfer to 136 Gloucester Avenue.