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Marketing Report

PROPERTY:

2 Torriano Mews, Kentish Town, London, NW5 2RZ

-

PREPARED FOR:

Regmar House Investments Limited

-

DATE:

Issued 1st July 2019

-

PREPARED BY:

David Simnock
Surveyor, MRICS

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London, NW1 8QP

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www.tspuk.com

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Company Registration No. 6807280 | VAT No. 977 5366 61





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PRIVATE & CONFIDENTIAL

Property:

Regmar House Investments Limited
c/o Emmarentia Investments Limited
2 Torriano Mews
Kentish Town
London
NW5 2RZ

Date:

1st July 2019

-

Dear Sirs,

Marketing of 2 Torriano Mews, London NW5 2RZ

This document has been prepared to provide support and evidence on the marketing that has been undertaken at 2 Torriano Mews, to support the planning application for a change of use to residential.

TSP were appointed by Regmar House Investment Limited to advise on the subsequent disposal of 2 Torriano Mews since April 2018.

TSP, founded in 2009, are a firm of chartered surveyors based in Camden whose expertise is devoted exclusively to the London Office market. Having acted for various landlords in the area on a consistent basis, we are perfectly placed to market the building.

1.00 Background

1.01 The property is located just off Torriano Avenue and Leighton Road and comprises a self-contained B1 office building arranged on ground, first and mezzanine floors. It is largely open plan, with carpet flooring and air-conditioning throughout with some partitioned areas on each floor and WC's on ground and first floor only. The premises benefits from two private car parking spaces within the mews which is gated.

1.02 From measurements taken from site, we understand the floor areas are as follows:

DESCRIPTION	GIA		NIA	
	SQ. FT.	SQ. M.	SQ. FT.	SQ. M.
Ground floor	828	76.92	723	67.17
First floor	828	76.92	699	64.94
Mezzanine level	667	61.97	487	45.24
Total	2,323	215.81	1,909	177.35

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2.00 Marketing History

- 2.01 Victorstones were instructed by Regmar House Investments Limited, the freeholder of 2 Torriano Mews on 16th February 2018 to dispose of the property by way of a sale of the freehold. Two months' later, TSP were instructed as joint agents on 17th April 2018 to assist with disposing of the property and subsequently were instructed to offer the premises either by way of sale or rent on 2nd July 2018.
- 2.02 From the beginning of the instruction dates noted above, the building was placed on both Victorstone's and TSP's websites as well as with CoStar, EGi, Rightmove, Realla, Movehut and other online property databases. The property was not enlisted on GLAs Open Workspace Group or other workspace provider websites due to the size and configuration of the property which would not be suitable for co-working or serviced offices. Marketing particulars are attached at Appendix B.
- 2.03 Please note, it was decided that a marketing board was not suitable to be erected due to the visibility to passers-by with the unit set back within a private mews with very limited visibility from public streets, so the marketing campaign was focussed on web-based portals.

3.00 Quoting Sale Terms

- 3.01 The premises was originally launched on the market at a quoting price of £1,250,000 but due to a discrepancy in the floor area, this was subsequently increased to £1,300,000 when TSP were appointed. This breaks back to circa £680 per sq. ft. which is in line with similar comparable transactions in the area.
- 3.02 The below table demonstrates sale values achieved for commercial properties in the area sold with vacant possession in the last 18 months prior to marketing in determining the market value:

ADDRESS	FLOOR	SIZE (SQ FT)	PRICE	PRICE (PER SQ FT)	DATE	TENURE
60 Rochester Place, NW1 9JX	G & 1st	1,604	£1,400,000	£872.82	February 2018	Freehold
Camden Park Studios, NW1 9AY	LG, G, 1st, Mezz	3,985	£3,500,000	£878.29	December 2017	Freehold
59-61 Leighton Road, NW5 2QH	G & LG	1,661	£1,000,000	£602.05	December 2017	999 years long leasehold
38 & 39/40 Bruges Place, NW1 0TL	G	1,850	£1,365,000	£737.84	October 2017	999 years long leasehold
61-63 Holmes Road, NW5 3AN	G	1,170	£760,000	£649.57	February 2017	125 years long leasehold
1 Belsize Crescent, NW3 5QY	LG, G, 1 st , Mezz	1,477	£1,150,000	£778.60	July 2016	969 years long leasehold

- 3.03 As you can see, there were a limited amount of transactions for sales of entire buildings in the area.

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- 3.04 From the comparable evidence, Camden Park Studios and Rochester Place are freeholds that achieved a much higher value per sq. ft. as one offered a unique rare church building and the other provided offices on the ground floor with residential above.
- 3.05 Leighton Road provided an office in a similar location but despite offering modern premises amongst a new build development, the majority of the space was located on the lower ground floor with limited natural light, so the price was discounted accordingly.
- 3.06 Bruges Place offers ground floor units within a gated development, but this was able to achieve a higher price due to location closer to the station and being across a single floor plate rather than smaller floor areas.
- 3.07 Belsize Crescent is the best comparable as it offers a self-contained unit with a mezzanine level. However, this property is in a more affluent location and in a better condition, with no VAT applicable.
- 3.08 Whilst the subject property is not in a traditional office location, it still offers a rare freehold office building for which there is a shortage of supply in the area. The premises still benefits from a reasonable condition including air-conditioning, perimeter trunking, good natural light, WC's, shower and 2 car parking spaces as well as located within a 10 minutes' walk to Kentish Town Underground/Thameslink station, which is positioned on Kentish Town High Street with numerous local and nationwide amenities.
- 3.09 Therefore, based on the above and our knowledge of the market, we concluded a guide price of £680 per sq. ft. for the property i.e. £1,300,000. We considered this to be a fair and conservative price to attract interest from owner occupiers as well as investors.
- 3.10 Following 6 months of marketing without success, we opted to reduce the asking price to £1,100,000 (£576.21 per sq. ft.) in order to attract further interest and entice offers for a quick sale.
- 3.11 The vendor's preference was to sell the asset but we also considered the option to rent the premises as a whole and on a floor by floor basis which we quoted £31.50 per sq. ft. in line with similar quality competing properties with rents ranging from £23.50 per sq. ft. to £37.50 per sq. ft. in the area.

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4.00 Quoting Rental Terms

- 4.01 Due to slow interest on the sale basis, TSP recommended to open up our options by offering the premises on a rental basis as well for sale which the client subsequently agreed to, in July 2018.
- 4.02 The below demonstrates lettings within close proximity to the subject property in the 12 months prior to marketing for rent:

ADDRESS	FLOOR	SIZE (SQ FT)	RENT (PER SQ FT)	TERM	DATE
45 Holmes Road, NW5 3AN	G	969	£45.00	3 years	Dec-17
32 Leighton Road, NW5 2QE	G	1,173	£40.00	5 years	Dec-17
11 Leighton Road, NW5 2QL	G	1,076	£36.75	6 years	Nov-17
17-19 Bonny Street, NW1 9PE	1 st	1,309	£51.56	2 years	Jun-17
7 Harmond Grove, NW1 8DH	G	700	£43.68	5 years	May-17

- 4.03 In the last 12 months, rents have achieved between £35 - £55 per sq. ft. in the surrounding area as evidenced by the above comparable evidence.
- 4.04 The lettings at Leighton Road are the best comparable evidence as they demonstrate rents achieved along the same road. This reflects a lower market rent compared to other transactions due to specification and location.
- 4.05 There is a significant level of demand for office space in the area at present, albeit with very little supply of self-contained buildings with all transactions being over a single floor plate.
- 4.06 Bonny Street & Harmond Grove were two transaction achieved in Camden which seem to demand a higher rent, so we have discounted the subject property accordingly to reflect the less desirable office location.
- 4.07 Holmes Road is a new build modern development with several studio units and was able to achieve a higher rent due to specification and the amenities included within the development providing a concierge, kitchen facilities and showers.
- 4.08 As such, we proposed quoting a rent of £60,000 per annum i.e. c.£31.50 per sq. ft., putting the property amongst the more affordable level of the market due to location, layout and specification. We believed that by quoting at this level, we will be able to attract interest from potential occupiers and achieve the best possible terms.
- 4.09 Due to the configuration of the property, the space can be marketed as a whole or alternatively to two separate tenants between the ground floor and the upper floors due to the acoustics between the first and mezzanine floors.

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- 4.10 Please note, that at this level of rent, we anticipated interest from SMEs and were open to offering flexible lease terms of between 18 months to 5 years which was more in line with their needs.
- 4.11 Additional works may be required but an incoming tenant may have their own ideas regarding the fit out and a rent-free contribution may be reasonable, however, it was agreed this can be discussed as part of negotiations with an interested party.

5.00 Marketing Analysis

- 5.01 We have since reviewed recent transactions and current availability of office transactions in the local area. We have utilised CoStar and EGi property databases, as well as agent websites to collate this evidence.

Sale Transactions

- 5.02 The below table demonstrates sale values achieved for commercial properties in the area since commencing marketing for the property:

ADDRESS	FLOOR	SIZE (SQ FT)	PRICE	PRICE (PER SQ FT)	DATE	TENURE
8 Heathgate Place, NW3 2NU	G & 1st	3,850	£3,250,000	£838.71	Available	Freehold
27 Elizabeth Mews, NW3	G & 1st	1,143	£1,450,000	£1,268.59	Available	Freehold
1 Holmes Road, NW5 3AA	BSMT, G, 1-3	2,684	£1,150,000	£428.46	November 2018	Freehold
Unit 1, Pratt Mews, NW1 0AD	G	1,495	£1,400,000	£936.45	October 2018	999 years long leasehold
19 Fleet Road, NW3 2QR	G & 1st	3,230	£2,200,000	£681.11	July 2018	Freehold
Unit 2, Pratt Mews, NW1 0AD	G	1,628	£1,400,000	£859.95	April 2018	999 years long leasehold
10 Pratt Mews, NW1 0AD	G & 1st	1,368	£1,500,000	£1,096.49	April 2018	Freehold

- 5.03 Since marketing commenced at 2 Torriano Mews, there have been other sales that have completed in the area ranging in size, condition and location.
- 5.04 1 Holmes Road is a useful comparable to the subject property as it is located nearby, but the condition is poorer and doesn't offer parking. This also provides a small element of basement which should be devalued accordingly. It is also worth noting, the property was purchased for owner

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occupation and let to the purchasing company which suggests this might not be comparable as an arm's length transaction.

- 5.05 19 Fleet Road achieved close to £700 per sq. ft. for this unique former church building. Although slightly further out, a premium might be applied to this purchase to reflect the character building, but it is uncertain what work was required for the purchaser. This would demand a higher value than the subject property.
- 5.06 Units 1 & 2, Pratt Mews were two self-contained ground floor shell & core units, forming part of a brand-new development which achieved in excess of £850 per sq. ft. for both units with the smaller unit benefiting from a contribution towards the fit-out. This would demand a higher value to the subject property due to location and building quality.
- 5.07 10 Pratt Mews was able to achieve in excess of £1,000 per sq. ft. as a result of offering a freehold property in close proximity to Camden Town station with consent for an additional 500 sq. ft. of floor area. This would demand a higher value than the subject property due to potential to expand and location.
- 5.08 8 Heathgate Place, NW3 and 27 Elizabeth Mews, NW3 were being marketed prior to 2 Torriano Mews and are still available. This is believed to be due to high values.
- 5.09 Our review of recent comparable transactions and current availability confirms that the current quoting price of £1,100,000 (i.e. £576 per sq. ft.) is reasonable and reflects market values in the local area and the condition of the property,

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5.10 **Letting Transactions**

5.11 We have also looked at letting transactions in the local area in order to understand the market and interest during the marketing period

5.12 The below table demonstrates letting values achieved for commercial properties in the area let since commencing marketing for the property:

ADDRESS	FLOOR	SIZE (SQ FT)	RENT (PER SQ FT)	TERM	DATE
3-4 Harmond Grove, NW1	G	1,580	£42.50	2.5 years	Mar-19
1a Harmond Street, NW1	G	1,750	£37.14	2 years	Jan-19
93a Bayham Street, NW1	1 st	1,593	£46.50	5 years	Oct-18
45 Holmes Road, NW5	G	1,130	£39.50	5 years	Oct-18
45 Holmes Road, NW5	G	732	£39.50	5 years	Sept-18
17-19 Bonny Street, NW1	G	700	£34.28	3 years	Jul-18

5.13 As you can see, lettings of a similar size have been achieved on a single floor plate which seems to be the preference for tenants for a better working environment.

5.14 The transactions at Holmes Road showed interested in the local area, however these offered modern new build studio space with an improved specification than the subject property which would demand a higher rent.

5.15 Bayham Street & Harmond Grove also provided modern/refurbished premises which demanded a higher rent (albeit Harmond Grove transacted as an assignment of the existing lease) as well as being located in a more desirable location off Camden High Street.

5.16 Harmond Street & Bonny Street demonstrates the interest for shorter term leases from tenants which achieved the two lowest rents of the comparable evidence. It is worth noting, Harmond Street is of similar specification than the subject property, however in a less desirable area which justifies the lower rent.

5.17 Since marketing, rents have achieved between £32.50 - £47.50 per sq. ft. in the surrounding area as evidenced by the above comparable evidence and shows limited transactions in the immediate area of a similar nature.

5.18 Our review of recent transaction on a rental basis confirms the rental level is fairly priced and provides a discounted rent for being in a less desirable area, Grade B specification and over multiple small floor plates.

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6.00 Interest

- 6.01 Throughout the marketing campaign, there has been limited interest with only 16 viewings to date (please see interested schedule in Appendix A). The majority of interest and viewings undertaken were for the purchase of the property with very limited interest on a rental basis. We believe this to be due to occupiers requiring single floor plates and preferring to be in serviced office options in the area for this size requirement.
- 6.02 To date, no parties have shown serious interest in the accommodation with only a handful attending for a second viewing. There have been no offers received to acquire the space despite inviting interested parties to put forward offers.
- 6.03 The main feedback has been due to the location as the property is amongst a predominantly residential neighbourhood with few amenities on the doorstep of the property to support the employees.
- 6.04 Given the size of the property, we would typically expect it to be of most interest to small and medium sized businesses, typically from owners who live in the North London area. However, due to the layout of the space, most businesses seem to prefer a single floor plate rather than being split over several floors especially without a lift and even though, we have marketed as single floors, for this size requirement, occupiers tend to prefer self-contained units or serviced offices on shorter leases with shared facilities
- 6.05 In our view, the reason why there has been limited interest in the office and why no potential occupier has pursued the space is because:
- Business use occupiers, in general, often prefer to be on single floors;
 - The layout of the floor plate is limited to how it can be configured;
 - Smaller occupiers prefer to be in serviced offices for cost purposes and flexibility of short-term basis;
 - Condition (natural light quality of décor, quality of kitchen and toilet facilities)
 - Proximity to the tube.
 - Availability of supporting amenities to workers
 - Residential environment
- 6.06 In accordance with our recommendations during the marketing, the space was lightly refurbished since the property became vacant so as to best present the space for marketing purpose but this has not improved our interest either to purchase or lease the premises.

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7.00 Conclusion

- 7.01 Throughout, it is apparent that despite active marketing of the accommodation for a period of 15 months for sale and 12 months for rental, at a quoting level that is in line with comparable transactions in the local area, there has been very little interest in the unit for office occupation.
- 7.02 Throughout the marketing, we have advised that the majority of interested parties were primarily interested in purchasing the building but yet no offers were received.
- 7.03 Despite providing the benefit of car parking spaces, the consensus was that the mews provides restricted vehicular access for companies requiring regular deliveries which resulted in the premises not being viable for their business use.
- 7.04 We also believe that as a result of the small floor plates, there has been a limited amount of leasehold interest as occupiers with this size requirement prefer to be over fewer floors and would rather be based within a larger co-working hub where they can benefit from networking with other like-minded SME businesses and have use of additional shared facilities which we did not have the space or capacity to offer.
- 7.05 Due to the lack of office interest for the building, we consider that a proposed change of use from solely office use (Use Class B1(a)) to residential use (Use Class C1) will increase the likelihood of the accommodation being sold/rented rather than remaining vacant.

We trust the above is suitable for your purposes and look forward to discussing the content of this report with you in more detail. Please do not hesitate to contact us if you require any further information on the marketing of the property.

Yours faithfully,



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APPENDIX A - INTEREST SCHEDULE:

Type	Agent Representative:	Contact:	Date	Freehold/Leasehold	Comments
Unknown	Sint & Co	Neil Sint	30/04/18	Freehold	Local occupier looking to expand but didn't like layout
Fashion Company	Mann Smith & Partners	Anna Quirk	17/05/18	Freehold	Looking for modern premises over single floor plate
Educational Organisation	Balian & Co	Simon Dorrington	08/06/18	Freehold	Too far from station
Unknown	Sint & Co	Neil Sint	12/06/18	Freehold	Didn't like layout
Unknown	Sint & Co	Neil Sint	20/06/18	Freehold	Too small floor plates
Archaeologist Company	Knight Frank	James Burton	12/07/18	Freehold	Needed more street frontage, not ideal location
Music Management Company	Breeze UK	James Demos	22/08/18	Freehold	Prefer warehouse space
The Bureau of Investigative Journalism	Unrepresented	Juliet Nagillah	11/10/18	Leasehold	Location too far out
Publishing Company	Sint & Co	Neil Sint	06/11/18	Freehold	Not right location. Access issues
Unknown	Making Moves	Oli Salter	27/11/18	Freehold	Too expensive and concerns over deliveries
Serviced Office Company	Desk London	Jon Winton	05/12/18	Leasehold	Preferred alternative options over single floor plate
Unknown	SC & Co	Simon Carson	19/12/18	Freehold	Wrong location and too small
Psychotherapeutic clinic	Unrepresented	Paddy Orchard	04/01/19	Freehold/Leasehold	Wrong location
The Warwick Group	The Warwick Group	Daniel Warwick	08/02/19	Freehold	Investor. Too expensive
Unknown	Strettons	Jamie McKenzie	18/04/19	Leasehold	Wrong location and too small floor plates
Portunus Real Estate	Unrepresented	Nathan Payne	19/06/19	Freehold/Leasehold	Prefer single floor plate
			Number of Viewings:	16 (18)	

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APPENDIX B – MARKETING PARTICULARS:

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KENTISH TOWN

2 TORRIANO MEWS, KENTISH TOWN, NW5 2RZ

FOR RENT OR FOR SALE - RARELY AVAILABLE SELF-CONTAINED
OFFICE BUILDING AVAILABLE WITH 2 X CAR PARKING SPACES



723 - 1,909 SQ. FT.

(67.19 - 177.40 SQ. M.)

KENTISH TOWN | 2 Torriano Mews, NW5 2RZ

LOCATION

Set within the quiet Torriano Mews, the property is located close to its junction with Torriano Avenue and parallel to Leighton Road. The property is in close proximity to Kentish Town Road which boasts a diverse range of shops, bars and eateries.

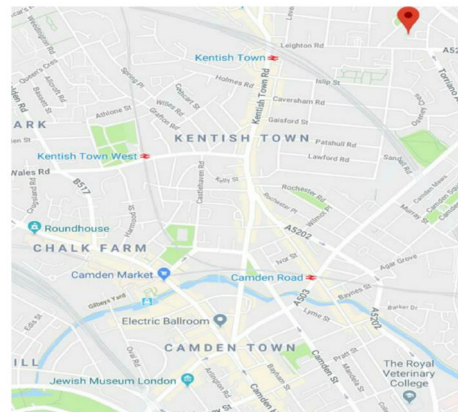
Transport links from the property are excellent with Kentish Town station (Northern line & Thameslink) situated within 0.4 miles from the property, providing easy access across London, in particular, to Euston, Kings Cross & St Pancras International stations within a 10-minute commute.

DESCRIPTION

The property comprises a two-storey self-contained office building arranged over ground, first and mezzanine floors. The accommodation is largely open plan, with some individual partitioned offices on each floor. The property benefits from air-conditioning, good natural light, perimeter trunking, kitchenette, WC & shower facilities and two car parking spaces.

The accommodation provides the following approximate net internal floor areas:

DEMISE	NIA		GIA	
	SQ. FT.	SQ. M.	SQ. FT.	SQ. M.
Ground floor	723	67.19	828	77
First floor	699	64.97	828	77
Mezzanine level	487	45.24	667	62
Total	1,909	177.40	2,325	216



AMENITIES

- Self-contained
- Secured gated mews
- 2 car parking spaces
- Air-conditioning
- Good natural light
- Kitchenette
- WC & Shower facilities

KENTISH TOWN | 2 Torriano Mews, NW5 2RZ



TENURE

Freehold available with vacant possession or on a rental basis for a term to be agreed.

METHOD OF SALE

Unconditional offers for the freehold interest are invited

PRICE /RENT (plus VAT)

Price: £1,100,000

Rent: £31.50 per sq. ft.

RATES

Approx. £11.50 per sq. ft.

EPC

'B' Rating

FOR FURTHER INFORMATION PLEASE CONTACT

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