

Cape Property Holdings Ltd
c/o Charter Group Fund Administration
L3, 16 Kirby St
London
EC1N 8TS

4th March 2014
Ref: HCS/114/Ltr03

For the attention of Mr Brian Taitz

Dear Sirs

1A Glastonbury Street, London, NW6 1QJ
Change of Use Report

Further to our inspection on 4th February 2014 and review of the following documentation we write to provide our advice regarding the above.

- Structural Engineer's Report by Ellis & Moore dated 12th October 2011.
- Planning Statement by Camden Council dated December 2012.
- Financial Information for Motorworks – 2011 to 2013.
- Camden Council's Development Policy 13 (DP13).
- Camden Planning Guidance 5 (CPG5).

In the following report we have considered the condition of the subject property, the current demand for the various feasible use classes, current relevant planning policies and the subsequent options available to the client.

1.0 Description & Condition of the Property

Description

The property comprises of a profile sheet flat roof, suspected to contain asbestos, fixed to a close boarded timber deck supported by timber joists bearing upon 9" painted brickwork. To the rear left-hand corner a lean-to has been constructed comprising double-glazed polycarbonate roof coverings supported by timber framed walls boarded on the internal face (no access to rear elevation available).

Rainwater goods comprise PVC guttering on the front elevation which drain down the face of the building i.e. there is no downpipe.

To the front elevation there are two single garage doors however only one is in use. The floor area forms a large open-plan area which houses the workshop, office, basic kitchen facilities and a W.C. The floor is a concrete slab.

Condition

The roof coverings are aged and appear to have received a bituminous coating in a supposed attempt to prevent water penetration. Internally evidence of water ingress is wide spread with extensive staining to the underside of the timber deck.

The roof coverings fall short of the face of the front elevation, consequently the gutter is situated over the wall therefore should the gutter overflow it is likely to enter the building. Furthermore the gutter has been installed to drain over the front elevation at the left end, this is a poor detail and a downpipe should be installed. Presently we envisage water is entering the building due to this defect.

The construction concerning the rear lean-to is poor and there is evidence of damp in this area.

Internally we note the following:

- The W.C. is unsanitary and unfit for purpose.
- The floor is uneven and the screed has broken-up in places causing trip hazards.
- The area is generally damp and there is evidence of water ingress raising concerns over the electrical installation.
- The area presents a high fire risk due to the number of flammable substances, lack of compartmentation and unclear escape routes.

As highlighted in the Structural Engineer's Report the premises has a number of structural failings which have not been addressed and would require works amounting to c.£27,500 + VAT to repair. Such is the cost of said repairs we would advise the client to demolish the existing structure and rebuild.

2.0 Suitability & Demand for the Property in its Current Use

Currently the building is used as a car mechanics which has been deemed by Camden Council to fall under Class B1(c) or B2, in our opinion the premises is unsuitable for this use due to the following:

- The building has a relatively small floor area, barely adequate to fit one regular-sized car with no additional parking allocated to the property for other vehicles. Glastonbury Street has permit parking therefore no additional parking is known to be available to the business. During our inspection work was being undertaken to a van on the street as the workshop will not accommodate a vehicle of this size.
- The infrastructure serving the property is not adequate to allow the delivery of damaged motor vehicles to site.
- The ceiling height is approximately 2.6m high and there is no mechanics pit, therefore working underneath vehicles is challenging and potentially hazardous.
- The property is in a poor condition and likely to breach the requirements of the Workplace Regulations and Regulatory Reform (Fire Safety) Order.
- The premises are insecure as the sheet roof coverings over the office area to the rear are easy to penetrate and subsequently gain access through.
- The noise and air pollution created by a car mechanics activities are unsuitable in a residential area especially with a primary school opposite and therefore we deem that the designation of use Class B1(c) is inappropriate. The Town & Country Planning (Use Classes) Order 1987 defines Class B1(c) as:
 - *'...any industrial process, being a use which can be carried out in any residential area without detriment to the amenity of that area by reason of noise, vibration, smell, fumes, smoke, soot, ash, dust or grit.'*

It is suggested that the use class is more suited to the definition of B2 General Industrial which would be unlikely to gain planning consent should an application be made at the present time.

The demand for car mechanics in the area has been investigated and nineteen car mechanics have been noted within a one mile radius illustrating there to be no shortage of this amenity available locally. By the very nature of the Tenant's business it is fair to assume clients would have private transport available to travel to the business therefore distance is not critical.

2.1 Financial Considerations

We have had sight of the tenant's financial information for the last three years which show an average net profit of £6,625.00 p.a. however we understand the current tenant has a Full Repairing & Insuring Lease therefore liability for the defects noted within Section 1.0 falls with the tenant. The repairs have been estimated at c. £27,500 + VAT (£33,000) which would result in the tenant suffering a total loss including VAT payments of £13,125.00 based on the last three years. We understand that the tenant is not VAT registered therefore it is unlikely they would be able to claim back any VAT payments.

During said repair works the tenant will not be able to use the premises therefore will suffer a loss of earnings. We estimate this to be in the region of £3,000.00 based on a 6 week programme. For clarity please see the table below:

Item	Add	Omit	Balance
Profit over last 3 years			
Estimated cost of repairs inc. VAT			
Loss of rent during construction period			
Total loss over 3 years			

We have not had sight of the lease however a further financial consideration is whether the tenants currently pay Open Market Rental Value and if not what affect this would have on their profits. One should also contemplate the likely rental increases over the lease term and how this will affect the profits of the business.

3.0 Suitability and Demand for other Feasible Use Classes

3.1 B1(c) Light Industrial

We have surveyed the local area and can advise that two Class B8 Storage & Distribution premises are within c.0.5m both situated adjacent the railway line. The subject property being the only light industry premises within the local area.

The Class B8 premises we have noted are:

1. Mill Lane Self Storage situated to the south of Mill Lane adjacent the railway line.
2. A scaffold storage area at the very south end of Broomsleigh Street adjacent the railway line.

We further note that the property adjacent Item 2 above, Nos. 40A, B & C Broomsleigh Street has been converted from Class B1 business use to residential units.

As aforementioned under section 1.0 the condition of the property is poor therefore in order for the premises to be let for any business practice falling within the confines of Class B1 (c) the property would require complete demolition and rebuild.

We note that there are no supporting services within this area in regard to cross trade (motor spares etc.) and the property is somewhat of an anomaly in this residential street location. The history of the business is unknown although it is suggested the location resonates back to a bygone era when the area contained a mix of light industry and residential, this no longer being the case creates a nuisance for residents and the staff, pupils and parents associated with the school.

Over the last 40 or so years there has been a move to locate light industry & commercial operations within industrial estates, business parks and shopping centres in order to improve residential areas and logistics etc. To this end the industrial estates close to Brent Cross serve this area, negating the need for light industry within the residential areas.

3.2 B1(a) Office Accommodation

We inspected the area at a radius of approximately 0.5m from the subject property and found no office accommodation. Likely locations one might expect to find would be over the shop accommodation on Mill Lane however this appears to be residential.

Due to the properties close vicinity to central London and excellent transport links the demand for office accommodation in this area is deemed to be negligible. Furthermore the area does not provide adequate supporting businesses and amenities for staff.

4.0 Budget Construction Costs

Item	Activity	
	Rebuild as Mechanic's Workshop	
1	Demolition & disposal of arisings.	
2	Construction of single storey motor transport workshop (mechanics).	
	Total	

	Rebuild as Light Industrial Shell	
3	Demolition & disposal of arisings.	
4	Construction of single storey B1 light industrial building – economical shell and core with heating only.	
		Total
	Rebuild as Office Accommodation	
5	Demolition & disposal of arisings.	
6	Construction of two storey B1 office building – medium shell and core with heating and ventilation.	
7	Developers Category A fit-out	
		Total

N.B.

- Existing GIA provided by client at 46.5sqm.
- Rates taken from SPON'S Architects' & Builder's Price Book 2014.
- All figures are exclusive of VAT.
- The above figure's are build costs only and do not include for professional fees, council fees, party wall fees etc.

5.0 Conclusions & Recommendations

Within this report we have considered the potential future uses of the land currently accommodating the subject property and deduced that due to the poor condition of the property demolition and rebuild would be the prudent course of action.

Furthermore the financial analysis illustrates that the present tenant's business makes a net loss of [REDACTED] therefore the property in its current use is unlikely to be a viable business opportunity for any future tenants. Considering current planning guidance we doubt planning permission would be granted to rebuild a mechanics workshop or other Class B2 property in this location. Additionally an increase in demand for this business type is improbable due to the Council's current policies in relation to car-free/car-capped residential development.

We have further considered the demand for light industrial (B1(c)) and office accommodation (B1(a)) in the local area and conclude that demand is low due to the close proximity of large industrial estates around Junction 1 of the M1 (Brent Cross) and the plethora of office accommodation within central London.

We therefore conclude that retention of the site in its current use or development for B1(c) use is not feasible as the site is no longer suitable for this business use due to; the condition of the building, the demand & profitability of such a business, the noise and air pollution produced by said business and the suitability of the site in terms of floor area, height of structure & off street parking provisions.

We further deduce development for use under B1(a) class not financially viable due to the lack of demand for such accommodation and the expected low rental value coupled with the unsuitability of the location due to lack of staff amenities and anticipated opposition from local residents.

6.0 Limitations

This report is the property of Howe Chartered Surveyors and is confidential to the client designated in the report. Whilst it may be shown to their professional advisors, the contents are not to be disclosed to, or made use of, by any third party, without our express written consent. Without such consent we can accept no responsibility to any third party.

Whilst every effort will be made to fully inspect those parts of the building requested of us, no permanent or secured fixtures and fittings have been removed other than those described.

We will not have inspected woodwork or other parts of the structure which were covered, unexposed or inaccessible and we are unable to report that any such part of the property is free from defect.

Howe Chartered Surveyors certify that they have carried out the works contained herein with due care and diligence to their best belief and knowledge based on the time and information available.

We trust this meets your requirements however please do not hesitate to contact the undersigned to discuss this report further if required.

Yours faithfully

[Redacted Signature]

Christian Howe BSc(Hons) MRICS
Managing Director

[Redacted Stamp]





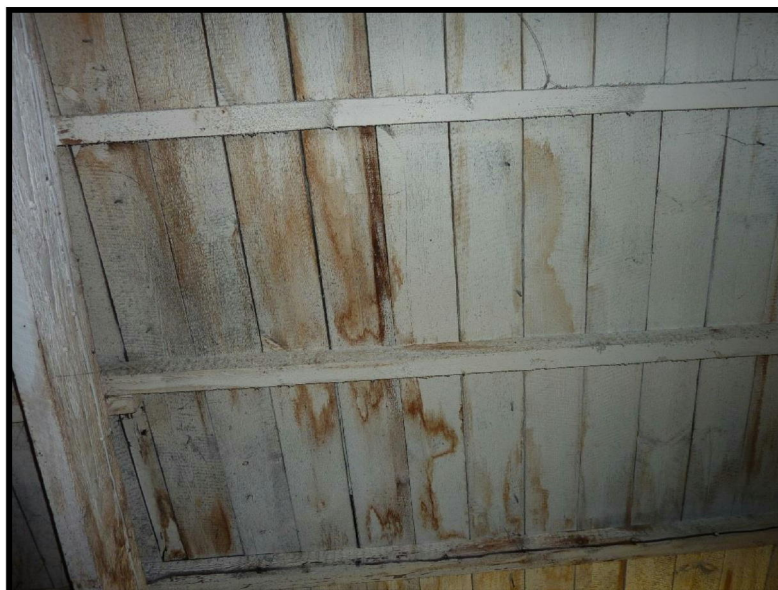
PHOTOGRAPH 1 – Front Elevation.



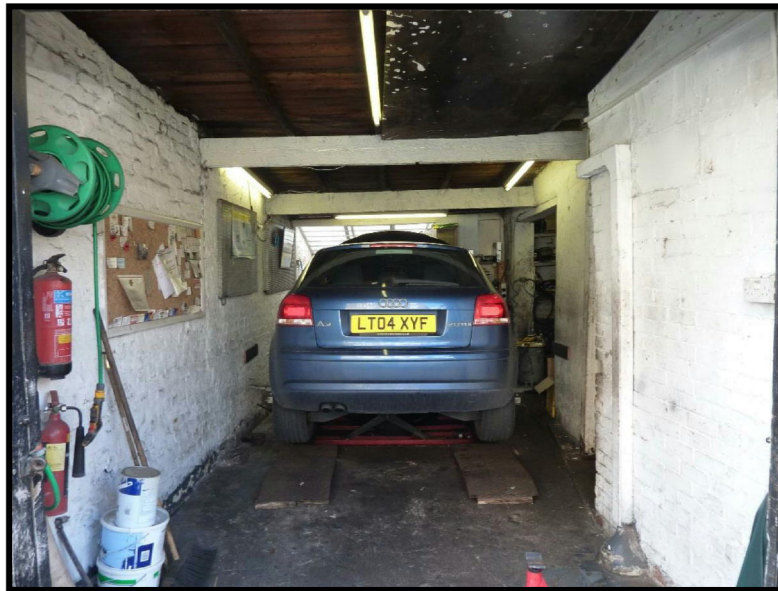
PHOTOGRAPH 2 – Roof coverings.



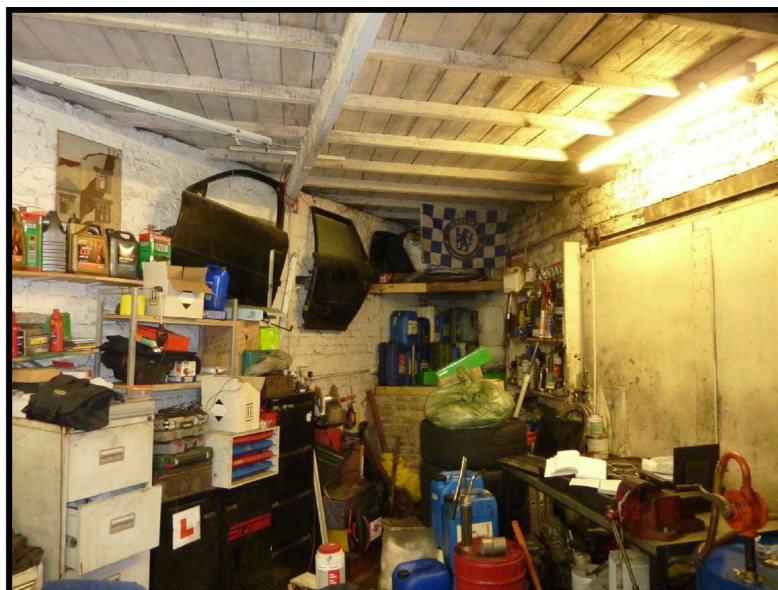
PHOTOGRAPH 3 – Defective guttering.



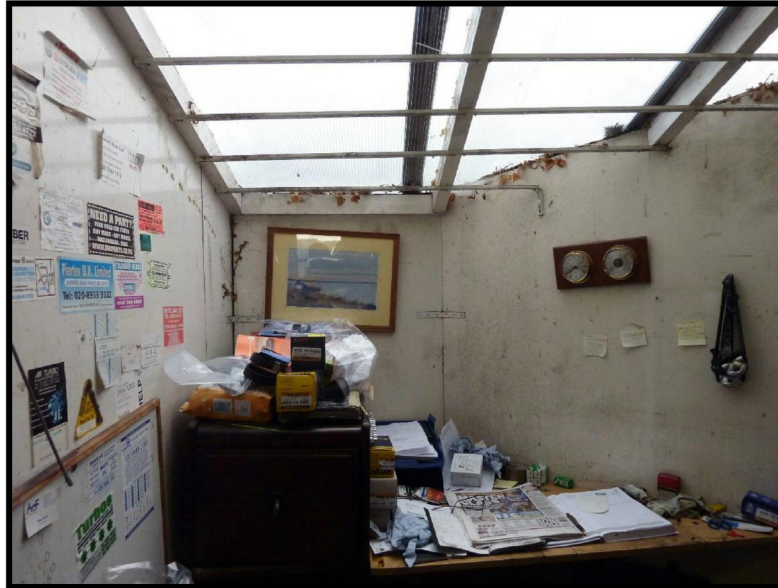
PHOTOGRAPH 4 – Water ingress through ceiling.



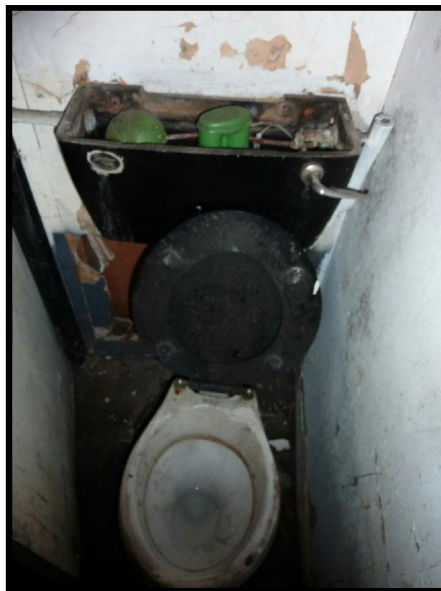
PHOTOGRAPH 5 – Limited workshop area.



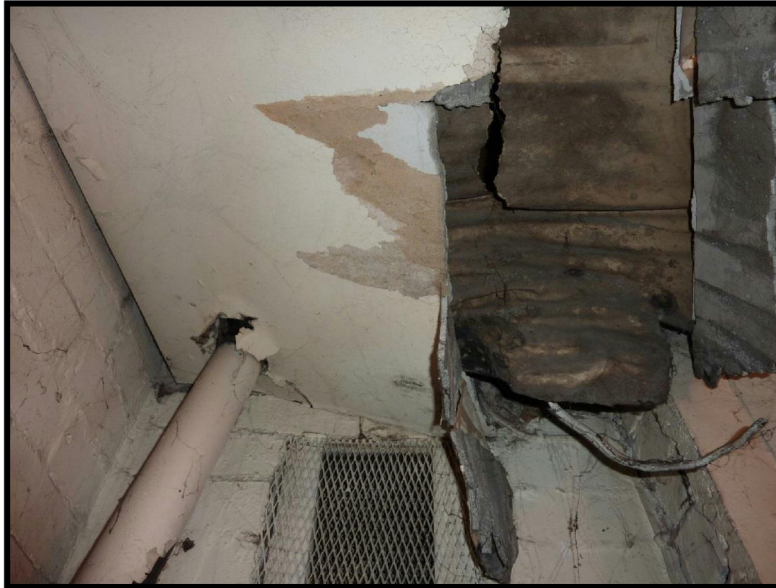
PHOTOGRAPH 6 – Flammable substances.



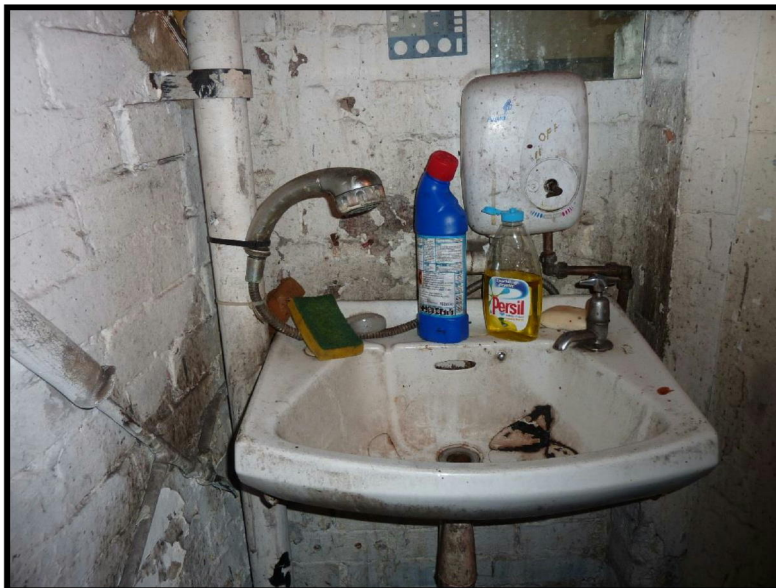
PHOTOGRAPH 7 – Office lean-to area.



PHOTOGRAPH 8 – W.C.



PHOTOGRAPH 9 – Damage to ceiling



PHOTOGRAPH 10 – Wash hand basin



PHOTOGRAPH 11- Glastonbury Street



PHOTOGRAPH 12 – Glastonbury Street