

## **RE: 81 Belsize Park Gardens, Hampstead**

Prime Retail were instructed as the sole letting agents on the property in March 2017 following the previous tenant, SpringHealth Leisure Limited, going into liquidation in February 2017. SpringHealth had been in occupation for nearly 30 years prior the company collapsing. Prior to the letting instruction, the investment sale had been on the market via a London based agency.

### **Marketing Strategy**

Upon instructions from the client Prime Retail undertook a comprehensive marketing campaign to achieve a letting at the property. The leisure market at this time was buoyant, with various new entrants to the market, together with existing leisure occupiers aggressively expanding and therefore it was believed a letting to a new leisure operator would be achievable.

The property was let to Springhealth Leisure Limited who had been in occupation on a full repairing and insuring lease at a rent of £306,603 per annum, equating to £20.06 per sq ft.

Within the previous lease there was provision for the rent to be reviewed every five years on an upward only basis to the higher of OMRV or RPI subject to a collar of 3% and a cap of 7% compounded annually. The rent review, which was due to have been settled by 9th March 2020 would have seen a minimum increase to a rent of £355,436 per annum (£23.25 psf).

Based on this figure together with comparable evidence of leisure uses in the surrounding area, we marketed the unit for £325,000 per annum exclusive, with an Estimated Rental Value of £3

Prime Retail enlisted an external design company to create a bespoke set of marketing appropriate for a notable and rarely available unit.

A marketing board was erected prominently above the entrance of the unit. The board stated 'D2 Premises To Let' with Prime Retail's contact details marked on in bold. The board was erected at the unit to capture all local and regional interest.

The property details were listed on Prime Retail's website, along with a targeted approach to Health and Leisure occupiers and their retained agents by identifying active requirements. Following this targeted approach, we circulated the details round PIP, this is a targeted mailshot to agents acting for retailers throughout the whole of the UK. Together with PIP, the unit is being actively marketed via various online platforms including CoStar and shop property.

From the initial marketing campaign, we received over 25 enquiries, these were a combination of national occupiers, to more regional and local operators. The interest ranged from health and leisure occupiers, to more regional and local enquiries.

Prime Retail carried out 14 accompanied viewings with these potential tenants, below is a timeline and feedback following respective viewings.

Date of enquiry	Tenant	Comments
10.04.2017	Russian Wellness Spa	Could not service the unit. Size of individual suites would not allow for full fit out. Would require change of use to D1
10.04.2017	National Gym Operator	Floor to ceiling heights too low
10.04.2017	National Gym Operator	Floor to ceiling heights too low Architects unable to design an appropriate layout
11.04.2017	National Gym and Health Spa Operator	Not suitable for the club layout
11.04.2017	National Gym Operator	Floor to ceiling heights too low
11.04.2017	National indoor play centre	Would only consider a split
11.04.2017	National Gym Operator	Floor to ceiling heights too low
20.04.2017	High End London Gym Operator	Floor to ceiling heights too low Studio space too small
01.05.2017	High End London Gym Operator	Floor to ceiling heights too low Studio space too constrictive
05.06.2017	National Gym Operator	Too small
01.10.2017	Private Members Club	Unlikely to be the right demographics
10.09.2017	National Gym Operator	Floor to ceilings
03/02/2018	High End London Gym Operator	Unable to make space work. Too small for their model.
11.09.2018	Dance Studio	Could not utilise whole property, on advice, the property proposes too many challenges to split.
12.07.2019	Nursery	Offered at an acceptable level

The above table shows the range of feedback received from the inspections and the reasoning for the unit not being suitable for their specific requirements. Modern gym and health club operators require very specific layout and design requirements in order to offer a full range of equipment and services in their gyms. It is paramount that minimum floor to ceiling heights are 3m with most gym operators requiring 3.5m floor to ceiling heights throughout to offer a full range of facilities in order to charge their maximum membership fees. In the case of the subject property, the maximum floor to ceiling height is 2.8m and this is only in the Stretch and Resistance areas on the second floor and only make a very small percentage of the total floor area.

Other deciding factors that counted against the property: -

- Condition of the property – the former tenant had left the unit in a very dilapidated state, any ingoing tenant would have a large capex to bring the unit into a condition from which they could trade. Even with a contribution from the landlord the sums were too large for the majority of occupiers.
- Swimming Pool – many of the low-cost gym operators do not operate wet gyms therefore having the swimming pool is seen not only as a reduction in floorspace but also an added/unnecessary cost either to upkeep or to infill.

## **Conclusion**

The property in its current format is no longer fit for purpose as a gym or health and leisure club. Modern operators' requirements have moved on to large open plan spaces, with adequate floor to ceiling heights. The unit has been widely marketed for the sole purpose as D2, health and leisure premises for over 3 years. The marketing strategy has been successful in bringing interest from the gym, and health and leisure market, however the property is now no longer fit for the modern health and leisure market.

The unit will remain empty until such time the use attached to it can be relaxed or changed in order that we are able to progress a letting to an operator to which the property is more suited.