

Commercial & D1 Property Consultants

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**Bernard
Gordon &
Company**

Bernard Gordon FRICS
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Ben Wallis BA (Hons)

MARKETING REPORT
529C&D Finchley Road
London NW3 7BG

Prepared for
Broadway Investment Ltd

Ben Wallis
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23rd September 2020

1.0 Introduction

1.1 This report is prepared by Bernard Gordon & Co for Broadway Investment Ltd for the 1st and 2nd floor premises at 529 C&D Finchley Road, NW3.

1.2 Bernard Gordon & Company have been commissioned to prepare this report given their marketing experience and specialisation in this sector of the property market. Bernard Gordon & Co were established in 1993 and specialise in all aspects relating to the sale, letting and acquisition of D1 accommodation. We operate from offices in Borehamwood and our market is generally within greater London and the M25 and more recently north to Milton Keynes and south to Brighton.

1.3 Our company maintains a web site and data base of applicants seeking D1 and D2 accommodation totaling about 3,400 individuals, corporations and institutions. Within this sector we receive regular enquiries for religious and community uses, day nurseries, schools, premises for training and other educational purposes, medical and dental uses. In addition we also deal with D2 uses including sporting facilities, gyms, dance studios, yoga and other specialist uses.

2.0 The Premises

2.1 The property is located on a secondary retail parade, fronting Finchley Road in a good North West London Location. There are numerous bus services nearby. There are some amenities in the immediate and in West End Lane (West Hampstead High St) which is within a short walk for a number of restaurants, café's, shops and other amenities.

2.2

The accommodation comprises a three-storey, terraced building in a good location fronting Finchley Road and is accessed via Finchley Road and Burrard Road. The available accommodation is planned over first and second floors. The ground floor is let to a gym operator. There is no outside space included within the demise.

The property previously comprised two separate units adjacent to each other but were opened up to create one larger unit. Each side has an identical overall layout comprising classrooms, offices etc.

providing approx. 1,420 sq ft (132m²) each with a total gross internal floor area is approximately 2,911 sq. ft. (270.5m²). The property was converted from a residential building and therefore provides access from the street to the 1st and 2nd floors via a narrow staircase. The 1st and 2nd floors have no ground floor presence other than a small access door, therefore it is not overly visible from the street.

2.3

Bernard Gordon & Company were instructed to market the Premises commencing 1st August 2019. The previous tenants used the premises for higher educational purposes as a language school who vacated the space a few year ago. They left the property in a reasonable condition but it was evident the premises were in need of modernisation and any potential tenant would need to invest a considerable sum to bring the building into a usable, compliant and attractive, up to date space.

2.4

The building has a self-contained access via a narrow staircase on the ground floor. There is no disability access to enable transition from floor to floor. The accommodation is not very well arranged with smallish rooms, corridors and two staircases.

2.5

The property is on a red route fronting Finchley Road in a secondary/local retail parade. There is no parking available with the property and with few public parking meters parking is very difficult.

West Hampstead Stations (Jubilee Line, Overground and Thameslink) and Finchley Road and Frognal Station are within approx. 15 minute walk from the property. Finchley Road Underground station is within a mile.

3.0 Tenure

3.1 Broadway Investments Ltd. owns the freehold of the property.

4.0 Market Conditions and Demand

4.1 As previously mentioned, our company specialises in the sale, letting and acquisition of D1 accommodation generally within the M25.

4.2 We have been dealing with D1 accommodation since 1993 and the demand has been on a continuing upward trend throughout that period. This is due primarily to the shortage of existing accommodation, combined with the difficulties associated with obtaining planning permission for a change of use to D1.

4.3 The greatest demand is the requirement for day nurseries followed by places of worship and community uses, training, schools/education, medical and dental uses. North and North West London are areas of particularly high demand for D1 accommodation.

4.4 The demand is spread about evenly between those looking to purchase a freehold or a long leasehold, and those looking to rent.

4.5 We recently transitioned through, and in some ways are still navigating through the current position relating to Brexit and the general political unease, the Banks are still much more cautious and there is evidence of holding back on investing. We are also in the midst of a global pandemic

with COVID-19 affecting all forms of the property market, and finally we have transitioned into the new planning use class changes enforced by the government from September 1st 2020. Our experience has shown that there is still demand for D1 accommodation but to a lesser extent, similarly in line with the rest of the property market. Arranged deals are still taking much longer to complete. There is demand for the right properties in the right locations. Demand still remains highest for day nurseries, followed by requirements for buildings for places of worship, education, medical and dental users etc. D2 users especially for gyms, yoga/dance/studios etc are still in the market, however there is a large shift away from Central London and into more affluent, suburban areas to target the 'work from home' market. D2 users are more sensitive to current political and especially financial circumstances as they are generally commercially based and are seeking lower rents per square foot. D1 users are also expressing more caution but so far rents and prices remain reasonably stable primarily due to the lack of stock, however this could change in the coming months given the extent of Coronavirus.

4.6 As mentioned above, the government announced that as of September 1st 2020 there will be new Town and Country Planning (Use Classes) (Amendment) Regulations 2020 which involved revoking Parts A and D of the schedule and inserting a new schedule which provides 3 new use classes:

- Use Class E (Commercial, Business and Service): which subsumes previous Use Classes A1 (shops), A2 (Financial and Professional Services), A3 (Restaurants and Cafes) and Class B1 (Business) along with uses for indoor sport, recreation or fitness, or for the provision of medical or health service or for a crèche, day nursery or day centre, where principally to visiting members of the public.

- Use Class F.1 (Learning and Non-Residential Institutions): which subsumes some of the uses in existing Use Classes D1 and D2.
- Use Class F.2 (Local Community): which subsumes some of uses in existing Use Classes D1 and D2, along with “a shop selling essential goods, including food, to visiting members of the public” in certain circumstances.

Therefore, whilst this report makes various references to the D1 and D2 market, it should be noted that moving forwards, given the former use of this site as a languages school, the correct use for this property is in fact now F1 as per above. Given marketing has occurred prior to the use change, I will refer to the markets as D1/D2 as this is as they were whilst marketing.

4.7 Currently we have some 3,400 live applicants seeking both D1 and D2 accommodation.

4.8 Whilst the property is located within a popular, affluent area, it falls short of satisfying a number of requirements needed to target a D1 occupier. Therefore, for the reasons given below, we consider the Premises at 529 C&D Finchey Road are not suitable for many D1 users.

5.0 Marketing History

5.1 We were contacted by Mr Taghi Oraee, the freeholder, on 1st July 2019. He informed us that he had recently purchased the site and therefore as the owner of the freehold, he wanted the vacant commercial space re-let. We subsequently placed the property in the market which went live on 1st August 2019.

5.2 The property was offered on a lease basis and after comparing rents in the area and our extensive knowledge of the D1 market we believed an asking rent equivalent to £30 per sq ft (approx. £87,500 per annum

exclusive), was a reasonable rent to ask for when approaching the market. We ensured offers were invited 'in the region of' to encourage interest at all levels and not price any party out of the running. We were advised the property had D1 without restrictions and therefore could be used by any use within class D1.

Marketing details were prepared and placed at the top of our website.

5.3 Details were sent out to our database of applicants (approx. 3,400 individuals/organisations), as well as being sent to other specialist agents and a number of online platforms who distribute marketing details no other agents (i.e. PIP (perfect information property)).

5.4 Initial feedback regarding the property was positive with many parties expressing interest given the postcode and proximity to West Hampstead. However, upon further review, much of the interest faded with feedback given as a lack of parking, being on a red route fronted road and not close enough to public transport (mainly train services) being the key factors. We conducted 3 viewings, 2 of which were from medical users and one from a religious organisation. Both medical users showed interest in the space in terms of size and layout, however a lack of disabled access was a deal breaker for them. The religious organisation were looking for larger open space, which this didn't provide.

5.5 The property was regularly re-offered in the market and in a bid to increase interest further, in January 2020 we erected a 'To Let' board outside the property given the high visibility location due to the constant flow of traffic on the Finchley Road. In the period from Jan 2020 to July 2020 we have had a total of 2 more viewings, both from religious organisations who also expressed an issue with the space due to the small rooms.

5.6 In March 2020 the Country was put into lockdown due to the Coronavirus pandemic. Understandably, for a period of 2-3 months the property market was almost non-existent and nobody knew the implications this would have on the market going forwards, and to an extent as I write this today, we still don't. However in early July, once the market started to become alive again as restrictions were eased by the government, we reduced the rent of the property to £25 per sq ft, per annum exclusive, and re-sent the particulars to the market as per above in a bid to create further interest. We had 1 response from a Jewish school who were actively seeking property within the area. Unfortunately, they deemed the space not suitable as it was difficult for students to access given its distance from the station and lack of parking.

The property entered the market on 1st August 2019 and remains on our website today.

6.0 Potential Uses

6.1 The D1 market is mainly made up of 3 main sectors, religious, educational, and medical. Each sector has certain requirements that occupiers will need to satisfy in order to take on a premise.

6.2 Religious users tend to seek anywhere from 2,000 sq ft up to 20,000 sq ft and demand large open space for a place of worship, as well as ancillary accommodation. It is clear from feedback that this property does not provide the large open space required for a religious user. Similarly, a lack of parking is an issue with anywhere between 50-150 people turning up for a service at any one time for a property of this size.

6.3 Educational users tend to seek anywhere between 1,000 sq ft up to 30,000 sq ft depending on the user, this can range from a tuition centre up to a college/university. Most demand comes from day nursery operators, however without ground floor use, parking/drop off facilities

and the use of an external play area, this site is not suitable for day nurseries. Whilst this property was previously used as a language school, the marketing has proven there is no demand at present. Feedback given has been it is too far from public transport, and needs a considerable amount of capital to refurbish/modernise into the ideal premises. It is not an ideal enough property for users to be willing to invest capital into improvements given the external factors in the World to consider, as I will detail later in this report.

6.4 Medical users tend to seek anywhere between 500 sq ft up to 5,000 sq ft. Whilst this property fits into this requirement, the lack of parking, proximity to a station and more importantly the lack of disabled access to the first and second floors, rules out medical users from this space.

There are also a number of external factors to take into account:

6.5 Brexit

As touched upon earlier in this report, the property was brought to the market shortly after the culmination of Brexit. Given the current global pandemic it can be easy to forget the impact Brexit had on the property market. However, Brexit created undoubted uncertainty within the property market where the majority of transactions taking place were for sites deemed as ideal stock (properties that 'ticks every box' of a tenant/purchasers specification). It became clear to us shortly into the marketing that this site was not deemed as ideal stock for the reasons given above. To an extent Brexit still has this impact on the market, but there are other more obvious dangers facing the property market and the world currently as explained below.

6.6 Coronavirus

The global Coronavirus pandemic has created a situation in the property market not seen in a long time, if ever, so much so it encouraged the government to amend the entire commercial planning use class changes as seen below in 6.7. The overall impact of the virus is still yet to be finalised, but reviewing the situation since lockdown restrictions were lifted in the beginning of July, it has become clear that good stock still creates interest, however properties that would only satisfy some requirements are not creating interest at all, which unfortunately is the category this property falls into. Many businesses have gone bust creating opportunities for active tenants/buyers, however there are some tenants/buyers who were looking for sites pre covid have found their personal situation changed and are no longer looking for sites. The market has changed significantly, and somewhat shrunk which has definitely had a negative impact on interest for this property.

6.7

Planning use class change

As explained earlier in this report, the D1 use class since September 1st 2020 has been scrapped, and this property now falls within use class F1 *“Use Class F.1 (Learning and Non-Residential Institutions): which subsumes some of the uses in existing Use Classes D1 and D2.”* F1 uses include:

- a) the provision of education, ***(schools, colleges etc. – former use class D1)***
- b) for the display of works of art (otherwise than for sale or hire), ***(galleries – former use class D1)***
- c) as a museum ***(former use class D1)***
- d) as a public library or public reading room, ***(former use class D1)***
- e) as a public hall or exhibition hall, ***(former use class D1)***
- f) for, or in connection with, public worship or religious instruction ***(churches etc. – former use class D1)***

This change from D1 to F1 has limited the number of users that can use the space and again has a negative impact on the marketability of this property.

7.0 Conclusion and Recommendations

7.1 As discussed, Bernard Gordon & co has accumulated 27 years of experience in the D1 and D2 property market. We have covered North West London, for the entirety of this time and we are very familiar with the market and conditions in this area. Our considered conclusion is that the space does not seem to suit any form of D1 (F1) use. Whilst the general location of the site is deemed desirable in terms of affluency and demographics etc, the main issues are:

- A lack of disabled access
- Distance from public transport
- Lack of parking
- Capital investment needed to modernise
- The external impacts of Brexit
- The external impacts of Coronavirus
- The new use class of F1 limiting the use
- Being on a red route

7.2

The location of the property has created a positive feedback, but unfortunately there is no way to satisfy the other concerns as listed above and therefore if Broadway Investment Ltd are to seek to change the permitted use of the Premises from F1, the change should be to residential to enable the two upper floors to be converted to residential use for which we understand there is a reasonable demand for entry level flats, or flats for rent.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Ben Wallis', with a large, stylized initial 'B'.

Ben Wallis
Partner

Appendix 1 (



Ref: 1590



**D1 Former Language
School**

**High Visibility Location
Fronting Finchley Road**

**Approx. 2,911 sq. ft.
GIA**

**529 C&D
Finchley Road
London
NW3 7BG**



D1 unit formerly used as a language school

High visibility location, fronting Finchley Road, within a short walk to West Hampstead High Street

Planned over first and second floors approx. 2,911 sq. ft. GIA

Ideal for D1 use including education, training, medical, dentist, clinics uses etc (STP if necessary)

Finchley Road & Frognal Station and West Hampstead Stations are within easy reach

Vacant possession available upon completion

Available to rent on a new FR&I lease with terms to be agreed, offers are invited at a reduced rent in the region of £25 per square foot pax, subject to contract

Location

The property is very well located on a secondary retail parade, fronting Finchley Road in a prime North West Location. There are numerous bus services nearby and West Hampstead Stations (Jubilee Line, Overground and Thameslink) and Finchley Road and Frognal Station are within approx. half a mile from the property. Finchley Road Underground station is within a mile. There are a number of amenities along the parade, and West End Lane (West Hampstead High St) is within a short walk for a number of restaurants, café's, shops and other amenities.

The Property

Three-storey, terraced building in a prime location on Finchley Road accessed via Finchley Road and Burrard Road. The available accommodation is planned over first and second floors with a private, self-contained entrance on ground floor. The remainder of the ground floor is let to a gym operator. The property was previously a language school and comprises a number of classrooms, offices etc.

The property previously comprised two separate units adjacent to each other but were opened up to create one larger unit. Each side has an identical overall layout providing approx. 1,420 sq ft (132m²) each.

Total gross internal floor area is approximately 2,911 sq. ft. (270.5m²)

EPC

In hand

VAT

I'm advised this property IS elected for VAT purposes.

Rating

TBA

Planning

We are advised the property already has D1 use and is deemed ideal for a number of users including educational, tuition, training, dentist and medical etc. Applicants should satisfy themselves regarding planning.

Service Charge

TBA

Possession

Vacant possession available upon completion

Rent

Available to rent on a new FR&I lease with terms to be agreed, offers are invited in the region of £25 per square foot, per annum exclusive

Costs

Each party to be responsible for their own legal and professional costs

References

Bernard Gordon & Co charges a fee of £200 plus VAT for taking up references for proposed tenants. This fee is non-refundable after the references have been taken up, irrespective of whether or not they are accepted by the landlords.

Holding Deposit

Purchasers/tenants wishing to secure this property will be required to pay a holding deposit to Bernard Gordon & Co of £3000. This deposit is not refundable except if the vendor/landlord withdraws, clear title cannot be proved, or the tenant's references are not acceptable to the landlord. In addition the holding deposit is not refundable in the event that a prospective purchaser/tenant fails to exchange/complete after an unreasonable period following the submission of the legal documentation or if the purchaser/tenant does not exchange/complete on or before set/agreed deadlines for exchange/completion. This deposit is held in our clients account until completion.

Inspections strictly by appointment only, please contact:

Ben Wallis

Tel: 020 8099 3119

Email: sales@bernardgordon.co.uk



Important Notice

These property particulars have been prepared in all good faith to give a fair overall view of the property. If you require any further information or verification of any points particularly relevant to your interest in this property, please ask.

It should be noted that nothing in these particulars shall be deemed to be a statement that either the property is in good structural condition, or that any services, appliances, installations, equipment or facilities, are in good working order. No plant, machinery or appliance electrical or mechanical, present at the day of inspection has been tested and accordingly purchasers should satisfy themselves on such matters prior to purchase.

These particulars are given as a general guideline only, and do not constitute, nor constitute any part of an offer or contract. Any photographs included within these particulars depict only certain parts of the property and no assumptions should be made with regard to parts of the property that have not been photographed. Furniture, furnishings, personal belongings and other contents, etc., shown in the photographs must not be assumed to be included in the sale, neither should it be assumed that the property or the contents remain as displayed in the photographs. If in doubt, please ask for further information.

Measurements, descriptions, areas or distances referred to within the particulars, or indeed within any plan or plans associated with the property are given as a guide only and must not be construed to be precise. If such information is fundamental to a purchase, purchasers are advised to rely upon their own enquiries.

Purchasers are advised to make their own enquiries regarding such matters relating to Planning Permissions or potential uses referred to within the particulars, where such information is given in good faith by Bernard Gordon & Company. Information relating to rating assessments has been given verbally. Intending purchasers/tenants should satisfy themselves as to its accuracy from the Local Authority.

No responsibility can be accepted for any expenses incurred by intending purchasers in inspecting properties, which have been sold, withdrawn or are under offer. Bernard Gordon & Company do not hold themselves responsible, in negligence or otherwise, for any loss arising from the use of these particulars. Bernard Gordon & Company reserves the right to make a reasonable charge for expenses and time incurred by reason of applicants failure to attend confirmed appointments to inspect.

Bernard Gordon & Company have not undertaken any environmental investigations in respect of land, air or water contamination. The purchaser/purchasers are responsible for making their own enquiries in this regard.

It must be appreciated that in preparing these particulars, descriptions given of the property by the author are personal and subjective and are used in good faith as a personal opinion and not as a statement of fact. To ensure that our descriptions are likely to match any expectations you may have of the property, we strongly recommend and advise that you make additional and specific enquiries.

Unless otherwise stated, in accordance with The Finance Act 1989, all prices and rents are quoted exclusive of VAT.

These details are believed to be correct at the time of compilation but may be subject to subsequent amendment.

The terms quoted and all subsequent negotiations are subject to contract.

MEASUREMENTS:

The measurements as set out herein are provided for guidance purposes only and no reliance should be placed on these when making any offer to lease or purchase either expressly or impliedly and for the avoidance of doubt Bernard Gordon & Company will be not liable for any losses howsoever arising in law as a result of the bidder placing any reliance on such measurements. The successful bidder should state if they wish to undertake a measured survey of the building prior to exchange of contracts to enable it to satisfy itself of the precise measurements

Bernard Gordon & Company for themselves and for the vendors or lessors of this property for whom they act: give notice:(1) these particulars are a general outline only for the guidance of prospective purchasers or tenants and do not constitute the whole or any part of an offer or contract:(2) the accuracy of any description, dimensions, references to condition, necessary permissions for use and occupation and other statements contained herein cannot be guaranteed and prospective purchasers or tenants must not rely on them as statements of fact or representations:(3) no representation or warranty is made whatever in relation to the property:(4) prospective purchasers or tenants are strongly advised to check these particulars including any fixtures and fittings expressed to be included in the sale or lease by making an inspection of them:(5) Bernard Gordon & Company will not be liable, in negligence or otherwise, for any loss arising from the use of these particulars.