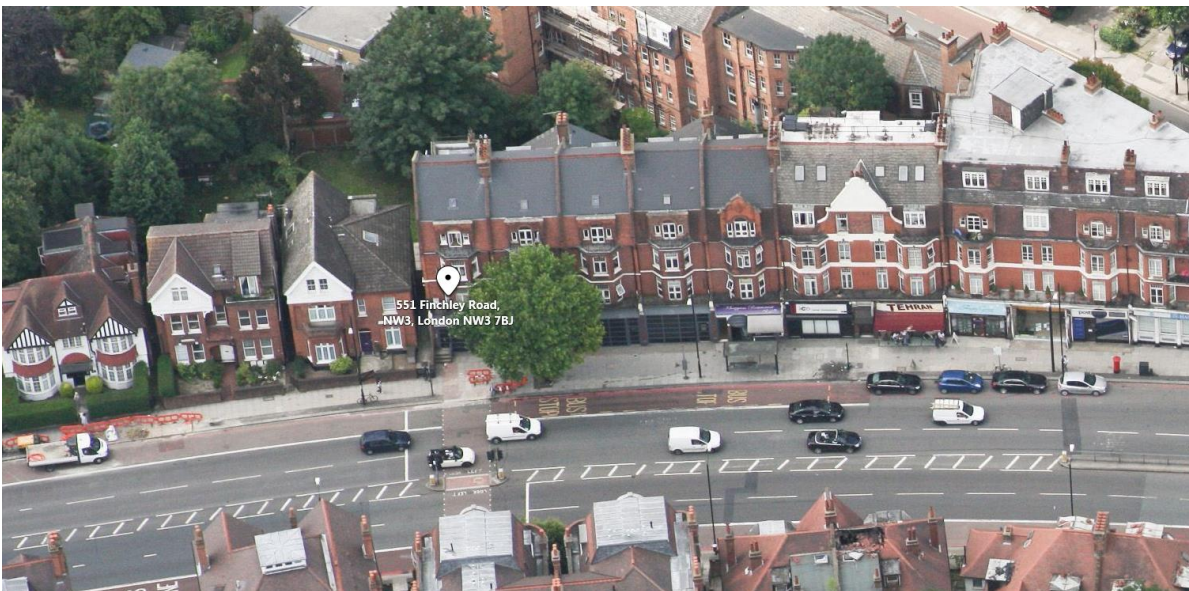


Viability appraisal for A1, B1(a), A1/B1(c) and D1 uses at 551-557 Finchley Road, NW3



**Prepared by: David Matthews BA MSc
of Dutch & Dutch**

Thursday, 22 October 2020

Instructions

I have been instructed by Hampstead Properties Ltd to prepare this report to establish whether the original amount and mix of A1, B1(a), B1(c) and D1 uses are likely to be viable at the subject property.

The property was in use as a language school for over 20 years who benefitted from a personal planning permission. When they left in the building in February 2020 it returned to its original lawful uses which were split as follows throughout the building:

- Retail and bakery (A1/B1(c)) – 348sqm
- Non-residential institution (D1) – 206sqm
- Retail (A1) – 353sqm
- Office (B1(a)) – 197sqm

These uses now fall under use classes 'E' and 'F1' following recent changes to the Use Class Order and the relevant space can be used as any use within those use classes. In total there is 898sqm of Class E floorspace and 206sqm of F1 floorspace. It is proposed to replace this with approx. 260 sqm of flexible Class E/drinking establishment floorspace. This report also comments on whether these replacement uses could be viable at this reduced amount.

Experience

David Matthews (BA MSc) is a Director of Dutch & Dutch and has been involved in the disposal and acquisition of commercial and residential property in and around North West London for 19 years.

He has acted for Institutions, Government Departments, Local Authorities, FTSE 250 Companies as well as local businesses and individuals.

He has been involved in transacting and advising on in excess of 5 million square feet of office, industrial, retail and residential space in the area.

David is currently Chairman of the West Hampstead Business Forum and a leading figure in the property community in North West London.

Overview

Hampstead Properties Ltd own the freehold of this 14,391 ft² building which is currently vacant but was previously let to 'Experience English', who ran a language school at the property.

The property had been operated as a language school for at least 20 years.

We understand this report will support a planning application for 15 residential units above approximately 260m² of Class E/sui generis drinking establishment floorspace.

The focus of this report is to appraise the likely success of the original mix and quantum of B1(a), A1/B1(c), A1 and D1 uses at this property now that the language school have vacated.

It is noted that some of the building has a historic A1/B1(c) use class. This unit was a bakery with bread etc being baked downstairs and sold upstairs. This use is in essence a retail use and so we have treated this space as A1 for the purposes of our assessment.

Accommodation

The property is made up of what were originally 4 separate buildings, most likely originally arranged as shop with residential upper parts.

The subject property includes the ground and lower ground floors of 551 Finchley Road and the ground, lower ground and 3 upper floors of 553, 555 and 557 Finchley Road.

The floorplans which follow show the existing arrangement which can be summarized as follows:

Schedule of Areas (GIA)

Floor Level	Sq M	Sq Ft
3 rd	152	1,636
2 nd	227	2,451
1 st	241	2,594
Ground	317	3,422
Lower Ground	398	4,288
TOTAL	1,337	14,391

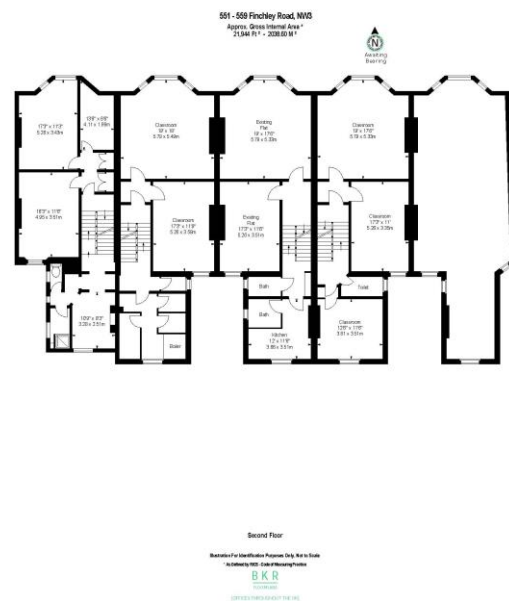
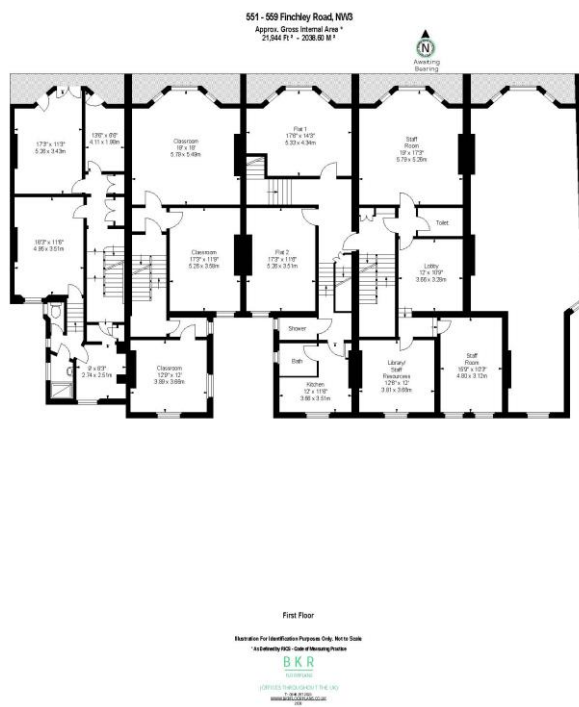
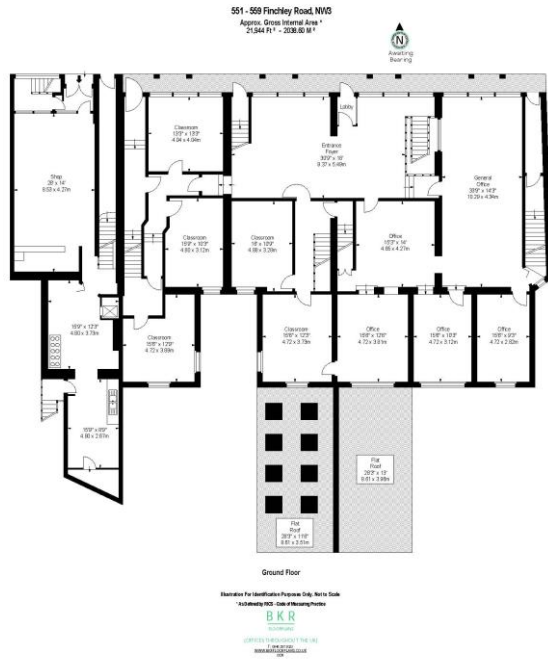
The property is heavily divided having been designed for residential purposes above ground floor with structural walls limiting the options to create open plan spaces.

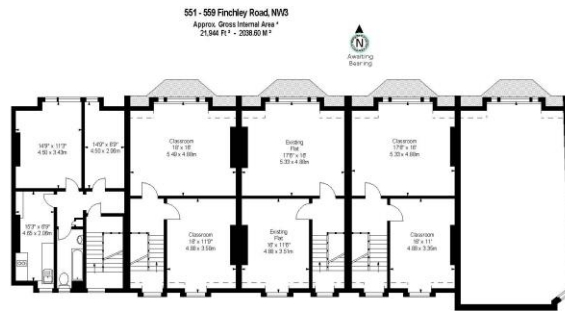
The property is served by 5 separate staircases with no lift.

The property consists of the following rooms:

- 25 x Classrooms
- 2 x libraries
- 7 x offices
- 5 x sets of WCs

In total there are approximately 40 rooms over the 14,391 ft² building.





Third Floor

Illustration For Identification Purposes Only. Not to Scale

*Not directly to Scale. Check all measurements

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Location & Context

This part of Finchley Road is considered to be a secondary, possibly tertiary retail location. There is very little footfall given that whilst it is a main arterial route for vehicles it is not a route taken by pedestrians.

The main walking routes to the nearest transport hub of West Hampstead do not pass this location.

The subject building forms the end of what was once a retail parade. To the immediate left is the start of a long row of properties all in residential use as houses and flats.



The neighboring retail parade consists of 6 ground floor units, 5 out of 6 are no longer used for retail uses.

Neighbouring traders:

Address	Occupier	Use & Description
559 Finchley Road	New restaurant	A3 – Destination Restaurant
561 Finchley Road	Design Solutions	A2 – Architecture and Interiors office
565 Finchley Road	1 st Construction & Finance and 1 st Cafe	A1 & B1 – Office and café
567 Finchley Road	Happy Gems	A2 / sui generis – Money transfer & Pawn Shop
569 Finchley Road	Nestons Estate Agents	A2 – Estate Agents
571 Finchley Road	Balthorne Safe Deposit Centre	A2 – Safe deposits and Mailboxes



**559 Finchley Road
Korean Restaurant (A3)**



**561 Finchley Road
Architects Office (A2)**



**563 Finchley Road
Sandwich Bar and Construction Com-
pany Office (A1/B1)**



**565 Finchley Road
Watch Repairs / Pawn Broker (A2/Sui
Generis)**



**567 Finchley Road
Estate Agents Office (A2)**

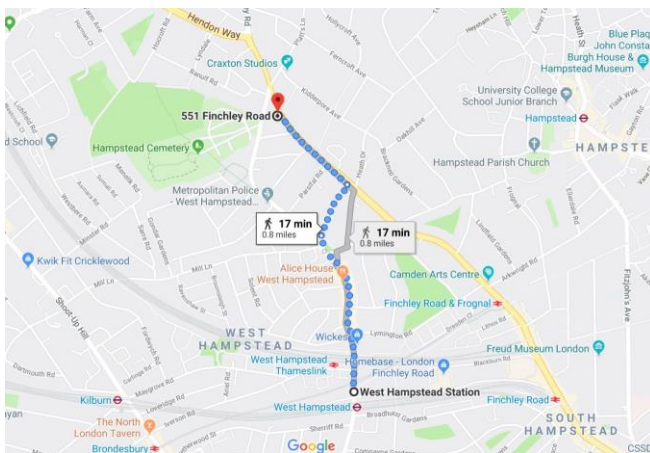
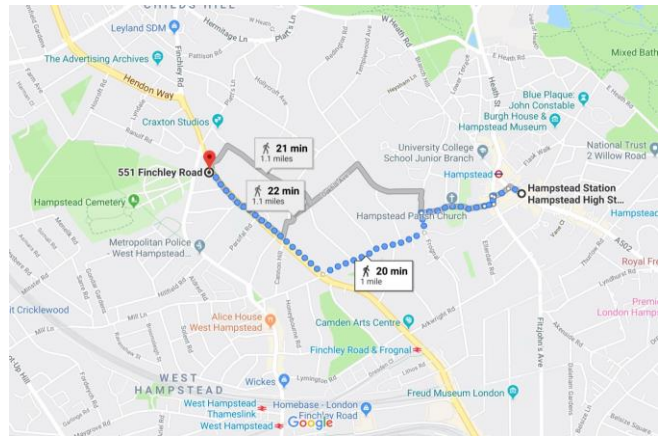


**569-571 Finchley Road
Mailbox and Security Box
Company (A2)**

Access & Transport

The property is located a 17 minute walk from West Hampstead's stations and a 21 minute walk from Hampstead's Northern Line Station. A number of bus routes serve the property via Finchley Road.

In our experience the success of 'out-of-town' B1(a) office accommodation is directly attributable to its proximity to an Underground station. Office based businesses require quick access to central London both to attract good quality staff from across the capital but also, so they are connected to suppliers and customers.



In order to be viable and to attract occupiers, office developments situated this distance from an Underground Station would always require on site car parking.

Car Parking

The building has no allocated car parking. There is a bay which can accommodate 5-6 cars for a maximum stay of 30 minutes between 7am and 4pm.

This is really designed for customers of a retailer and is insufficient time for a business meeting for example.

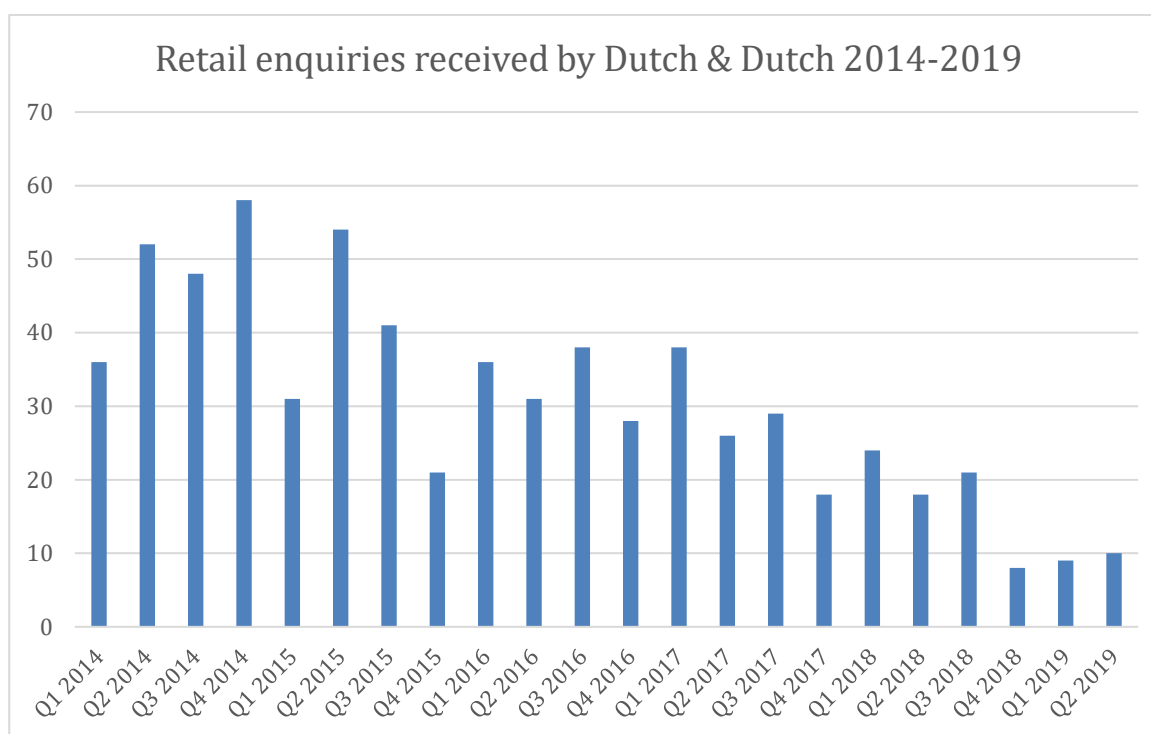


Local Demand for A1

Most of the enquiries we receive for retail units are from independent businesses or new companies rather than operations with a chain of units.

All A1 retail enquiries are for North West London's prime high streets or busy secondary high streets as footfall is key to their success.

However, there has been a noticeable reduction in the number of enquiries we receive for retail premises in North West London.



The fact is that online shopping, economic uncertainty, business rates liabilities and a lack of footfall on local highstreets makes it very difficult for retailers to turn a profit. This is particularly the case on quiet, secondary and tertiary parades such as the location of the subject property.






Sadly, Covid has only gone to exacerbate these problems. We envisage that there will be large numbers of retail and leisure businesses closing premises in the coming months. This will be as a result of the end of the moratorium on commercial rent collection and the end of furlough.



Local Supply of 'E' Uses

There is currently a significant supply of 'E' use space within close proximity of the subject premises. This is true for both office and retail uses.

There is also a worryingly large number of new spaces coming to the market. This is almost invariably as a result of Covid. With office occupiers downsizing and disposing of space or retailers going bust or focusing on their online offering.

Here is a selection of examples:

<p>Haskell House, 152 West End Lane, NW6 1SD Office space to let 1,400 to 3,850 sq ft £32.50 psf</p>	
<p>1 Hampstead Gate, Frognal, NW3 6AL Office space to let 222-1,447 sq ft From £917 pcm</p>	
<p>Suite B, 1-3 Canfield Place, NW6 3BT Office space to let 1,278 sq ft £39 psf</p>	
<p>Granville Road, NW2 Office space to let 810 sq ft £25 psf</p>	
<p>22 West Hampstead Mews, NW6 Office space to let 650 sq ft £2,000 pcm</p>	

Lithos Road, NW3 Office / Retail to let 2,530 sq ft £5,000 pcm	
Omni House, Belsize Road, NW6 Office floors to let 2,486-6,132 sq ft £32.50 psf	

Further commercial property listings showing the amount of existing availability can be found as follows:

[Rightmove](#)

[EG Property Link \(NW6\)](#)

[EG Property Link \(NW3\)](#)

[Zoopla](#)

Demand for Office Space

There has been a dramatic reduction in demand for office space.

As I write this report on 22nd September 2020 Government advice is being updated and people are being advised to work from home where possible.

Thousands of companies up and down the country are assessing whether they need office space.

We have practically no demand for traditional office accommodation at the moment and envisage that there will soon be significant over supply.

'E' and 'F1' Uses in a "post" Covid economy

According to the Centre for Retail Research in 2020 20,622 stores will close (against 16,073 in 2019) and job losses will rise to 235,704 people (against 143,128 last year) [forecast prepared on 31 March 2020].

"The effect of the coronavirus lockdown came on top of retail's existing problems. It has been a hammer blow against the sector. Government advice to stay at home, avoid shops, pubs and restaurants was followed a few days later by the lockdown and closure of most stores."

Similarly, almost every office occupier we talk to are re-considering their office footprint and there is a significant reduction in occupier demand. Many well-known businesses are telling employees that they can work from home for the foreseeable future.

The supply of office accommodation in London coming to the market significantly outstrips demand. This is true for all sizes and types of accommodation.

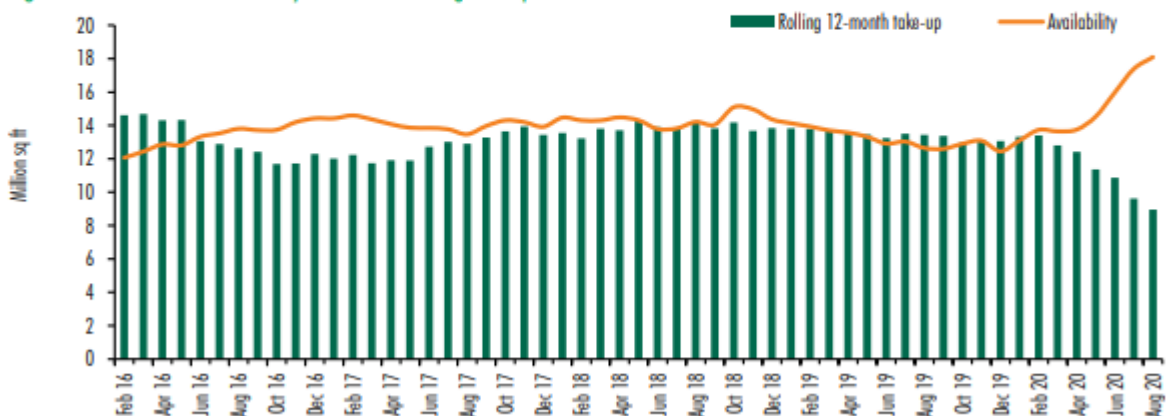
Central London take-up fell to a record low of 79,000 sq ft, as the Covid-19 lockdown coincided with the usually quiet summer month of August.

Availability rose to 18.1m sq ft, rising to its highest level since 2010.

Central London Office MarketView August 2020 (CBRE)



Figure 1: Central London Availability vs 12-month Rolling Take-up



Source: CBRE Research, August 2020

The same trends are seen in North West London. The hoped-for demand from companies looking to move out of Central London to be closer to home has not materialized.

Sadly, the same is true for demand from F1 educational uses. The previous tenant of the property, a language school, vacated as a result of a drop in demand for their courses.

We are aware of other further education colleges in North West London who are now facing significant uncertainty in the level of demand from overseas students.

Is the loss of '*pre-existing*' quantum of Retail detrimental to the parade?

The loss of retail uses in an established parade of shops is generally considered to be detrimental to the success of the parade as it can lead to a reduction in footfall.

However, the circumstances in this instance are unique. There have been no retail uses in the subject property from 551-557 Finchley Road for at least 20 years.

The neighboring businesses will not suffer a loss of footfall as a result of the loss of the *pre-existing* quantum (656sqm) of A1 use.

A much smaller amount of A1 use on site is considered more likely to be viable as long as it is provided as part of a new mixed use development including uses such as residential and other uses within Class E as they are likely to generate their own custom and draw more people from the local area. Being within Class E/drinking establishment type uses (without any controls placed by the LPA to ensure specific use as retail) would make this space further viable by providing maximum flexibility to secure an occupier.

It is worth noting that only 1 out of the 6 neighboring businesses are an A1 Use. 5 out of 6 of the businesses are not reliant on passing footfall and are 'destination' businesses.

Proposed Scheme

Summary & Conclusions

The pre-existing quantum of commercial uses at this building no longer represents a viable option in this location. The nature of retail is evolving very quickly and secondary locations such as this, with low footfall do not attract tenants. Similarly, it is practically impossible to let office space currently, with the signs of significant over supply being seen. The pre-existing quantum of D1 is located at third floor level with convoluted access and given this and its limited size, is not considered viable.

Given that the *pre-existing* retail, office and educational uses are not currently in operation, their partial loss at the quantum proposed will have no detrimental impact on the neighboring units or the local economy. The reprovision of some of this floorspace as Class E at the reduced quantum proposed is likely to be viable dependent on how quickly the economy recovers post Covid. Applying for a flexible use for the Class E space to also cover drinking establishment/wine bar/pub/public house with food provision would also help increase the letability and viability of this space in my view.

In my view and given my experience and knowledge of the local area I believe the proposed residential scheme and provision of approx. 260m² of flexible commercial is likely to be the most effective use of the property.



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David Matthews
Director
Dutch & Dutch
Thursday, October 22, 2020