

**Premiere House and Suffield House,**

**9-19 Paradise Road,**

**Richmond,**

**Surrey**

**8<sup>th</sup> May 2012**

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## **SECTION: 1 INTRODUCTION**

- 1.1 Michael Rogers, now Michael Rogers LLP, was established in 1990 and the Richmond office opened in 2000. We currently operate from three offices around the southern M25 and specialise in business space agency ([www.michaelrogers.co.uk](http://www.michaelrogers.co.uk)). Michael Rogers LLP currently have approximately 50 disposal instructions in the Richmond and Twickenham area. We have been active in a number of both freehold and leasehold transactions in recent years in the immediate environs of Premiere House and Suffield House 9-19 Paradise Road Richmond.
- 1.2 This Report aims to address the existing employment land situation in the Richmond area of the London Borough of Richmond in support of a planning application for a hotel use redevelopment of Premiere House and Suffield House.
- 1.3 The principal purpose of this planning application is to regenerate the site and make best use of urban land by introducing a use to provide vitality and improve the environment of the surrounding area. The proposed hotel would be developed in a viable way, whilst also improving the local environment. The hotel would also have a benefit to local businesses.
- 1.4 The existing buildings on the site are currently vacant and largely cleared. The employment policies in the Richmond UDP have a general preference for B1 use on sites which were previously in employment use, followed by other employment generating uses (such as hotels) where B1 is “not practicable”. The compliance of the proposals with policy is dealt with in the Planning Report prepared by Alliance Property.
- 1.5 This Report is submitted to provide further evidence that continued office employment use of the site is not practicable by reviewing:

- The application site and historical context.
- Local employment land studies.
- Local market – supply and demand.
- Marketing of application site for office employment uses.

## **SECTION 2: THE APPLICATION SITE**

- 2.1 The planning application site occupies a prominent position on the south side of Paradise Road at its junction with Halford Road. The existing buildings total some 10,034 sq ft of net internal offices. The site is roughly rectangular in shape and extends to approximately 0.247 acres (0.1 hectares). It is located within the London Borough of Richmond and is approximately ½ mile from Richmond British Rail and underground stations. The site is in the centre of Richmond town centre behind the main retail pitch of George Street. A public car park is some 200 metres distance.
- 2.2 At present, the two office buildings have been largely cleared pending development. The site was formerly occupied as offices by P J B Publications. The buildings were first brought to the market in May 2004 whilst P J B were still in occupation. Shortly after this they relocated and the offices have been vacant ever since.
- 2.3 More recently, in September 2006 an option on the site was acquired by Tellus Estates Limited, an office developer who tried to obtain planning consent but unfortunately applications were refused. Eventually planning was achieved on appeal for some 20,000 sq ft of offices but the time limit on the option had run its course. The buildings were then purchased by Henry Boot Developments Limited in 2007. Planning permission was subsequently achieved for a new 18,000 sq ft office building arranged on ground and two upper floors in 2009. Taking into account the market conditions caused by the credit crunch a pre-let or pre-sale situation was sought. This opportunity was actively marketed on this basis for over two years and during this period, the

site was also offered for other uses such as medical and education. However the site remained un-let and unsold. Marketing details for the proposed office development are shown in Appendix 1.

2.4 With the above in mind and summarising some of the issues discussed later in this Report, the following are important considerations in the context of releasing the land from a wholly B1use:

- (i) The site has historically been used for from a terrace of Victorian Villa's, a petrol station and the current office buildings together with a retail unit. It has therefore never been in wholly employment use.
- (ii) The application proposes a hotel. Whilst the employment floor space on the site does not match the previous amount, it will enhance business in the area from business persons working in Richmond and using the many retail facilities but there will also be business generated from tourism.
- (iii) The site would not be appropriate for an office use because of the close proximity to residential uses.
- (iv) The application scheme proposes a hotel which is an employment generator.
- (v) Without the introduction of this alternative use, the entire site is unlikely to be brought back into use. Indeed, it has lain largely unoccupied for 7 years and makes an unattractive vista to people and vehicles passing through Richmond.
- (vi) The property occupies a prominent position and the redevelopment of the property for economically viable purposes will help to regenerate and uplift this conservation area of the London Borough of Richmond.

- (vii) Despite marketing over two years, the developers were not successful in achieving a pre-let or pre-sale for the office development proposed on site.
- (viii) The site is in a highly accessible location within a few minutes walk of Richmond town centre and its development will enhance the local environment.
- (ix) There is already a significant level of office accommodation available within the Borough and surrounding areas.

### **SECTION 3: LOCAL MARKET FACTORS**

- 3.1 Appendix 2 indicates the available office floor space within the local vicinity. This table has been completed using a desktop assessment and searched to find available floor space. As the schedule indicates, there is a significant level of floor space available within the Borough and surrounding areas and totals approximately 595,000 sq ft (55,277 sq m).
- 3.2 The UDP states that there is pressure from residential and retail uses to locate on employment land, yet there is a shortage of sites available for new business development and strong demand. This situation has clearly changed since the policy was adopted in 2005 and Appendix 2 demonstrates that there are more than sufficient opportunities for a range of employment uses to find premises within Richmond borough, which is the key objective for the employment policies in the UDP.

### **SECTION 4: MARKET COMMENTARY**

- 4.1 We had no direct involvement with the marketing of this site until 2009 for new offices, however, we are active in the business space market in Richmond and have been involved in a number of lettings of both new and second hand B1 accommodation in the immediate surrounding area to the subject property.

- 4.2 As previously referred to, the subject property has consent for a new office development for approximately 18,000 sq ft net of new headquarters offices. There are a number of reasons why this development has not taken place, the principal one being the failure to achieve a pre-let. Generally, it is extremely rare in the office market today that companies will agree to take a pre-let "off plan" and it is also rare for lettings to be agreed during construction. Equally, it would not be viable, particularly in the current market, to build out an office development speculatively on this site and hope that a tenant could be found.
- 4.3 At present there is a large surplus of office accommodation coming to the market in Richmond this includes the refurbishment and extension of Thames Link House of 50,000 sq ft by Richmond Station. This property has some car parking and is also one minute from Richmond Station.

At 1 Eton Street some 28,000 sq ft is to be redeveloped Wereldhave above retail which will be completed speculatively in August 2012. However a pre-let to Whole Foods has been achieved for the entire ground floor.

On Kew Road the redevelopment of Midmoor and Merevale Houses will commence shortly which will probably bring another 50,000 sq ft of office accommodation to the market.

Two years ago there was the completion of a 10,000 sq ft new development called Nucleus which overlooks Richmond Circus within minutes of Richmond Station. This building was offered either freehold or leasehold without success. The construction company and the developer both went into receivership. The building was then made available freehold at a reduced price direct from the receiver and was eventually sold.

- 4.4 There have been very few lettings of over 20,000 sq ft in Richmond town centre in the last few years. One in August 2007 was the assignment of a lease of Whittaker House in the Richmond Riverside development, extending

to 30,000 sq ft to E-Bay at approximately £30.00 per sq ft with substantial rent free, with the lease expiring in mid-2013. The other was the letting of approximately 21,000 sq ft in November 2008 of refurbished accommodation in Oriel House opposite Richmond station to the Listening Group, also at £30.00 per sq ft but on a 10 year lease with a break clause after 5 years and approximately 15 months rent free. The latter deal amply demonstrates the state of the office market, which has probably worsened in the intervening period, whereby occupiers are unwilling to commit to long leases, ie over 10 years without a break. It is, therefore, extremely unlikely that a development, if a Headquarters office building at 9-19 Paradise Road were to be built out, would achieve a long lease to enable the investment to be sold at a sensible yield, thus making this scheme unviable.

4.5 Michael Rogers LLP have been involved with a number of the commercial buildings in the immediate vicinity of 9-19 Paradise Road, namely Ambassador House and The Vestry on Paradise Road, Pride House and Lion House in Lion Street and the numerous offices on Hill Street and George Street. We have managed some deals on short leases with substantial rent free periods.

4.6 We believe that were a pure office development be undertaken on Paradise Road, then units of up to 2,000 sq ft would be the target market, however, given that there is already a significant supply of new and good quality second hand space available in the Town Centre and competing out of town centre locations we do not believe a B1 orientated new development would be built in current market conditions. Effectively there is modest tenant demand and we do not believe a prudent developer would commence a development in these circumstances.



## **SECTION 5: CONCLUSIONS**

5.1 This report is submitted to provide further evidence that continued B1 employment use of 9-19 Paradise Road, Richmond is not practicable, having regard to the availability of B1 floor space in the borough and historic marketing of the site.

5.2 Through Michael Rogers' experience in Richmond we have demonstrated:

- (i) There is a significant availability of office floor space within the local vicinity, totalling approximately 300,000 sq ft. Much of this has been on the market for a substantial length of time and is clearly not being taken up. This includes space in locations which are more preferable to office users than the application site.
- (ii) The site has historically been used for a mix of uses. It has therefore traditionally been used for a mix of employment generating uses and will continue to be used as such in the current proposals.
- (iii) The site has been largely unoccupied for 7 years and is unlikely to be brought back into use without the introduction of alternative uses. It currently presents a very unattractive vista in a conservation area in the centre of Richmond and thus there are significant benefits to be achieved from its regeneration.
- (iv) Despite marketing over 2 years, we have been unsuccessful in achieving a pre-let or pre-sale for the office development proposed on the site. Our experience elsewhere has shown that even if office development were proposed on a speculative basis and let as offices on a piecemeal basis, this would be very difficult in the current market, particularly given the availability of premises elsewhere.

- (v) The site is not considered appropriate for industrial uses given the close proximity to residential uses and the high quality of design required for this important part of Richmond.
- (vi) There are therefore clearly more than sufficient opportunities for a range of employment uses to find premises within Richmond borough.
- (vii) On this basis, we consider that the provision of a range of other employment generating uses is the most appropriate solution to achieving a viable redevelopment of this important site.