

STRATEGIC PROPERTY REPORT



INFORMER HOUSE, 2 HIGH STREET, TEDDINGTON, TW11 8EW

Prepared For:

Angela Wheeler
RHP
8 Waldegrave Road
Teddington
TW11 8GT

Prepared By:

Sneller Commercial
Bridge House
74 Broad Street
Teddington
Middlesex
TW11 8QT

17th June 2016

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1.0 Introduction

- 1.1 We refer to your instructions to provide you with a strategic report in relation to the above mentioned property to include comments regarding the proposed redevelopment of the site.
- 1.2 The property was inspected by Matthew Walters MRICS on 24th May 2016 for the purpose of preparing this report.
- 1.3 We now have pleasure in reporting as follows.
- 1.4 Please note that this report does not constitute a formal RICS Red Book valuation.

2.0 Location

- 2.1 The property is located in Teddington, an affluent town situated in the London Borough of Richmond upon Thames. Teddington is approximately 2 miles to the north of Kingston upon Thames and 3 miles to the south of Richmond upon Thames.
- 2.2 The property is situated on the south side of the High Street, close to its junction with Waldegrave Road. Local facilities include a wide variety of shops and restaurants in the High Street together with banks and the usual other services expected in such a town.
- 2.3 Teddington mainline railway station is situated approximately 350m to the south of the property providing regular services to London Waterloo.
- 2.4 The area benefits from good road communications, with the nearby A316 and access to the M25 and M3 motorway network. A number of bus routes serve the town providing good transport around the district.

3.0 Description

- 3.1 The property comprises a detached office building arranged over ground first and second floors with a pitched tiled roof over a concrete frame. The building appears to have been constructed in the early 1980's.
- 3.2 The lower ground floor provides a small amount of storage space along with undercroft parking for a number of cars. External stairs provide access to the entrance at ground floor level.
- 3.4 The ground and first floors comprise mostly open plan, modern office space along with a kitchenette on each floor, staff WCs and a shower room. The offices benefit from excellent natural light with almost continuous glazing to each elevation. The specification includes ceiling mounted air conditioning units, suspended ceilings, recessed fluorescent lighting and full carpeting.
- 3.5 There is undercroft parking for approximately 12 cars which is accessed through Teddington Business Park.

4.0 **Accommodation**

4.1 The property has been measured in accordance with the RICS Code of Measuring Practice and comprises the following approximate net internal floor areas:

Floor	Sq Ft	Sq M
First	2061	189.7
Ground	2042	191.5
Lower Ground	146	13.6
TOTAL	4249	397.7
Parking	12 Spaces	

5.0 **Tenure**

5.1 We have been advised that the property is held on a freehold basis and is owner occupied. It would therefore be possible to obtain immediate vacant possession if necessary.

6.0 Property Condition

- 6.1 From our brief visual inspection, we can confirm that the property is in generally good order and could be let or sold on the open market in its current condition. If the property were to be let, we would recommend that to achieve the best possible annual rent, the property should be refurbished internally including replacement of carpets, lighting, ceiling tiles, redecoration and replacement of the WC's and shower room.
- 6.2 We have been advised that there have been recent problems with water penetration from the roof, causing visible damage to the second floor ceilings. It would be necessary to address these issues prior to letting the space, either through patch repairs or through full replacement of the roof. It is likely that full replacement would be a more economical long term solution.
- 6.3 We have also been advised that a number of the window units are allowing water penetration in heavy downpours and the double glazing units have blown in some places. These issues would need to be addressed prior to letting the premises to an office occupier to avoid the need to reduce the rent or offer an extended rent free period.
- 6.4 We would not consider the above works to be necessary if the property were to be sold, however defects to the roof or windows may result in a reduction in value if the property were to be retained for commercial use. Should the property be sold for redevelopment, we would not consider these works to be necessary, nor do we consider that the defects would have an impact on the property value.
- 6.5 We would recommend undertaking a full structural building survey in order to ascertain the scale of the defects mentioned and indeed to check for any further defects within the property. This would also confirm the likely costs of any necessary remedial work.

7.0 Office Market Commentary

- 7.1 Investors have typically looked favorably on UK commercial property relative to other asset classes and the relative return demanded from investors for holding property still remains substantially lower than pre-crisis times due to its safe haven status. Most UK regions are seeing upward pressure on office rents and incentives are being gradually tightened. Further growth in rents is anticipated over the course of 2016 following an increase close to 9.0% for all office rents in the South East and Suburban London areas in the year to December 2015. In their Q1 market report, Cushman and Wakefield are forecasting prime regional office yields to remain relatively unchanged across most markets in 2016, with some softening in yields anticipated in 2017.
- 7.2 As a result of Permitted Development Rights, we have seen a surge in the purchase of vacant office property in the local area. This has resulted in a significant fall in available office property and as a result we have noticed an increase in rents where landlords are able to secure preferential rents and terms for vacant office space. This trend has however slowed somewhat particularly since the beginning of the year and this goes for the commercial market in general. In our opinion this is a result of Britain facing a number of risks from overseas in 2016 as growth slows in emerging markets, stock markets tumbled, oil prices slumped and the referendum on EU membership looms closer.

8.0 Existing Office Value – Leasehold & Freehold

8.1 The local office letting and sales market has improved over the last few years with prices increasing due to a lack of supply and increase in demand. This is largely due to the aforementioned Permitted Development Rights. In determining our opinion on value we have had regard to recent comparable transactions as set out in paragraph 13.0, as well as our local market knowledge.

8.2 In consideration of the above we are of the opinion that the current market value of the freehold interest, assuming vacant possession and disregarding the residential development potential is:

£1,750,000 (One Million, Seven Hundred and Fifty Thousand Pounds)

8.3 In consideration of the above we are of the opinion that the current market rent of the property, assuming full repair, at the date of this report is:

£115,000 (Sixty Two Thousand Pounds) per annum exclusive

We have assessed the market rent based on a typical 10 year FRI lease with an upward only rent review at the end of the 5th year.

9.0 Planning

9.1 From our online enquires with the London Borough of Richmond upon Thames, we can confirm the property has to following planning history. The property is not listed, nor is it in a conservation area

- 2 High Street Teddington TW11 8EW

Application Number	Status	Proposal	
14/2683/P3JPA	Prior Approval Approved 21/08/2014	Change of use of office building (B1) to 8 residential flats (4 x 1 bed and 4 x 2 bed).	View
12/1301/DD01	granted permission 28/11/2012	Details pursuant to condition LT09 - hard/soft landscaping	View
12/1301/FUL	granted permission 20/06/2012	Alterations to front external area and boundary including new hard/soft landscaping and boundary ra...	View
84/1069	granted permission 08/11/1984	Erection of balustrade to replace parts of existing brick wall.	View

9.2 In May 2013 a Permitted Development Order was granted for the change of Offices (B1 Use) to Residential (C3 Use) without the need for prior planning permission. The temporary right was due to lapse in May 2016. However, having proved popular with the development industry, the housing and planning minister has now announced that the right will be made permanent as part of the government's drive to increase housing numbers.

9.3 The subject property was granted a change of use under PD in August 2014 and as such it would be suitable for residential conversion, however there is a time limit of 3 years from the date of approval.

9.4 In some areas, the Council has put Article 4 Directions in place to remove permitted development rights to change the use of a property from offices to residential. The Council considers that these Article 4 Directions are essential in order to ensure proper planning of the areas, in particular to control loss of employment space. The subject property lies within the Teddington and Waldegrave Road Article 4 area which has been in force since 30 November 2014. It is therefore likely that if the time limit of three years for developing the property is exceeded, that there would be no possibility of achieving a residential change of use under permitted development thereafter.

10.0 Business Rates

10.1 From our on-line enquiries, we have established that the property is assessed for rates as follows:

2010 Rateable Value

OFFICES AND PREMISES: £ 60,500

11.0 Services

11.1 We have been advised that the site is connected to all mains services including electricity, gas, water and drainage. We would confirm that no systems or appliances have been tested.

12.0 Proposed Scheme

- 12.1 We have been provided with details of a proposed scheme to demolish the existing building and redevelopment of the site to provide a mixture of residential accommodation with commercial space below. We have been asked to comment on the commercial element of the scheme.



12.2 Scheme Overview

12.3 The following information has been provided by the architects, Wimshurst Pelleriti:

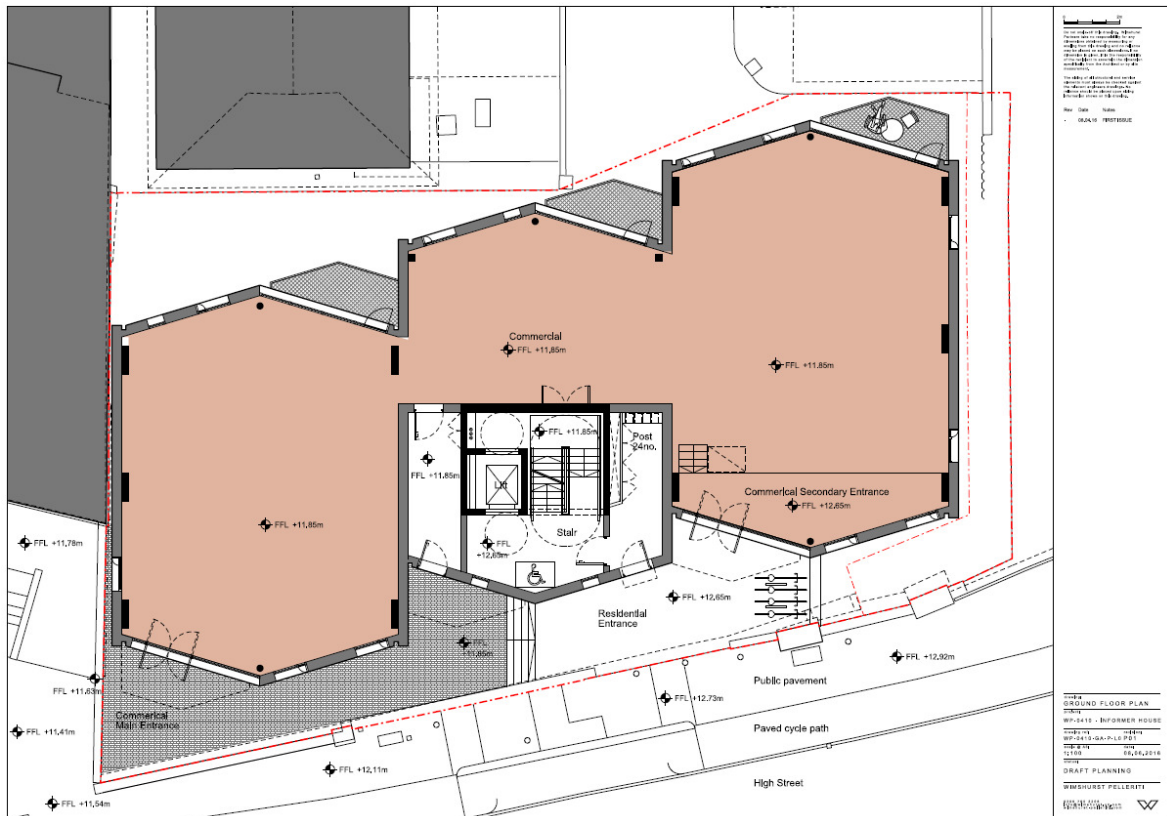
12.4 The proposed new building will accommodate office/commercial use across the whole of the ground floor with 23 affordable apartments above and car parking and cycle storage at the lower ground level. At the highest point the building will be 6 storeys high.

Floor	No. of Units	1 Bed Units	2 Bed Units
5th Floor	3	2	1
4th Floor	5	2	3
3rd Floor	5	2	3
2nd Floor	5	2	3 (1 WAU)
1st Floor	5	2	3 (1 WAU)
Ground	-		
Basement	-		
Total	23	10	13

Floor	Space	Amount/Area
Ground	Commercial	300 sqm.
Basement	Cycles	50
	Car Parking Spaces	10
	Refuse	4x660L (commercial) 4x1260L (Resi.)
	Plant	25sqm nominal

12.5 Suitability of Commercial Space

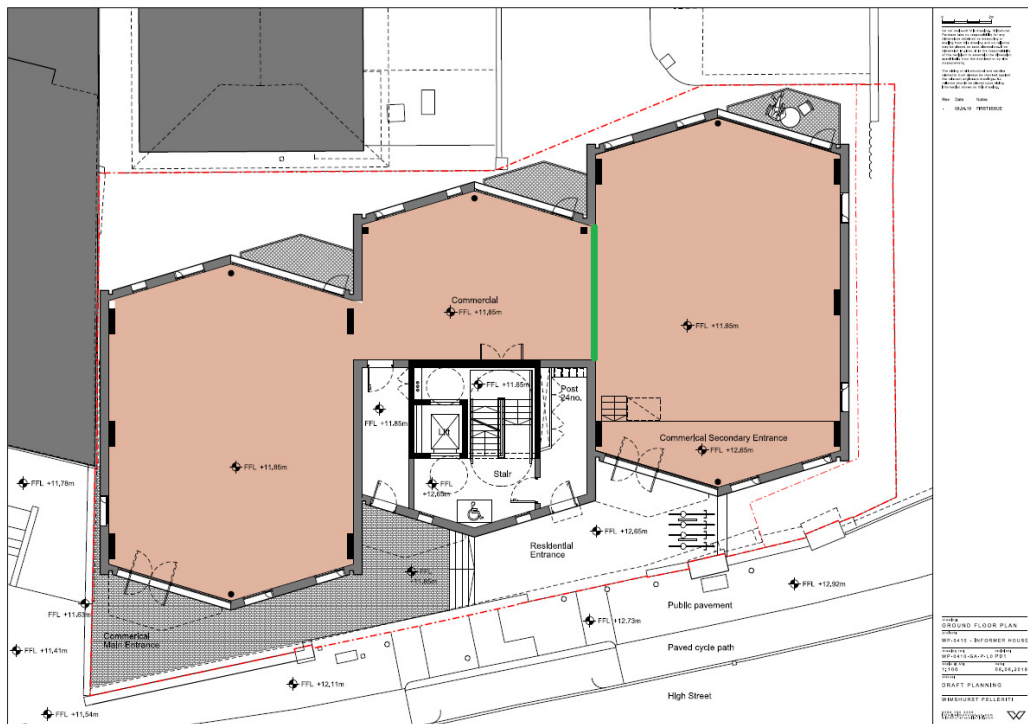
12.6 We have been provided with the following proposed floor plan for the ground floor commercial space:



12.7 Design & Layout

12.8 From the plans and CGI images we have seen, it appears the proposed scheme will provide attractive commercial space which will be suitable for a number of different uses. There are two natural divides which will enable the space to be subdivided into a maximum of 3 separate units each with its own entrance.

12.9 Upon inspection of the plans, we have noticed the internal step level change close to the right hand commercial entrance, listed on the plans as the commercial secondary entrance. Whilst this may not be a problem if the unit is to be kept as one single space, we would suggest that upon splitting the units, it would be detrimental to have a step change so close the front entrance. Should the property be occupied as retail space, we consider that this design would have a significant negative impact on the both the value and the demand of this unit. As an office or D1 unit, it is likely that the raised area would be awkward for an occupier to utilise. We would recommend that this aspect of the design is reconsidered and would suggest that, depending on floor to ceiling heights, it would be more suitable to have the level change positioned at the natural break line between unit 2 and 3 as shown in green below. This would then allow for future flexibility of the space.



12.10 We have also noted the inclusion of 3 balconies to the rear of the commercial unit. Whilst this may be necessary from an external design perspective, we do not consider this to be necessary for the operational use of the commercial space. The two middle balconies are particularly intrusive into the space. If these can be omitted, it would increase the usable area within the unit and as such would enhance the value of the space.

12.11 Likely End Users

12.12 From our experience, we consider that the commercial space would be suitable for a variety of different end users. Due to the previously mentioned Permitted Development Rights removing a high proportion of office stock in the Richmond Borough, we would consider the space to be suitable for B1 offices. There is good demand in Teddington for all sizes of good quality office accommodation, with smaller units being generally easier to sell and let. It is proposed that there will be no car parking allocated to the commercial unit which will have a slight negative effect, especially if the offices were to be let or sold as a whole. As a general rule, the smaller the offices, the less parking is expected.

12.13 Due to the prominent High Street location, we would also consider the unit suitable for retail uses including use classes A1, A2 and A3. We would however refer to our previous comments relating to the proposed step level changes at the entrance to the right hand unit which would be detrimental to any of the retail uses. We would not advise splitting the space into more than two retail units. This is due to the proposed access to the middle unit which is through a corridor from the High Street to the unit at the rear. We do not consider this unit to be suitable for a retail use on its own and would suggest it is incorporated as part of one of the other units. It would however be possible to have the middle unit as office space with the units 1 and 3 as retail use.

- 12.14 Loading must also be considered as front loading from the street will be difficult considering the existing cycle path and zebra crossing situated directly opposite the property. Loading from the rear access road would be more appropriate and we note there is a lift from the lower ground floor to the ground floor but we presume this is a pedestrian lift only for the residential occupiers. It may be worth considering this in more detail including exploring the possibility of including a commercial goods lift into the scheme to allow for rear loading.
- 12.15 We would also consider that the space would be suitable for D1 uses such as a medical centre, dentist, physiotherapist and chiropractor.
- 12.16 We would therefore recommend applying for a range of different uses part of the planning permission to ensure the maximum market coverage when the finished units are sold or let.

12.17 Likely Commercial Values Leasehold & Freehold

12.18 In consideration of the current market and the evidence presented below, we are of the opinion that the commercial element of the proposed development will have the following values. We have assumed that the unit will not be split and that the step level change has been moved to the suggested position. For retail we have assumed a goods lift from the lower ground floor has been installed for loading:

Use	Freehold (vacant)	Leasehold (per annum)
Offices	£1,300,000	£85,000
Retail	£1,100,000*	£100,000
D1	£1,250,000	£80,000

*The retail unit could be worth in the region of £1,650,000 if the property were let to a multi-national retailer and sold as an investment.

13.0 Comparable Evidence

13.1 In assessing the value of the property we have had regard to market evidence including the following:

B1 Lettings/Availability

Date	Property	Size	Rent	Lease Term	Notes
Current	1 Waldegrave Road, Teddington	1,630 sq ft (NIA)	£54,000 per annum exclusive (£33.13 per sq ft)	Under Offer	Refurbished, air conditioned offices opposite the subject property. 4 Parking spaces included.
Current	Harlequin House, High Street, Teddington	3,600 sq ft (NIA)	£126,000 per annum exclusive (£35 per sq ft)	Under Offer	Top floor refurbished offices close to the subject property. High quality refurbishment with 7 parking spaces and air conditioning.
Current	Rowan House, Field Lane, Teddington, TW11 9BP	1761 sq ft (NIA)	£45,000 per annum exclusive (£25.55 per sq ft)	Under Offer	Self-contained ground floor offices. High quality fit out with air conditioning, double-glazing. Largely open plan with a glass partitioned office. Comes with parking.
Mar-16	9 Teddington Business Park, Station Road, Teddington	850 sq ft	£25,000 per annum exclusive	Let on a new FRI lease for 3 years. Break after 1 year subject to 3 months rental penalty. 3 month rent free period agreed.	Two-storey self-contained B1 office unit with two parking spaces. The premises were originally constructed as ground floor workshop/storage with first floor offices but have since been converted to office use. The rent achieved reflects a price of £29.41 per sq ft.

Mar-16	17 Teddington Business Park, Station Road, Teddington	951 sq ft	£25,000 per annum exclusive	5 year FRI lease with review after 3 years. No break options or rent free periods.	Two-storey self-contained B1 office unit with two parking spaces. The premises were originally constructed as ground floor workshop/storage with first floor offices but have since been converted to office use. The rent achieved reflects £26 per sq ft.
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B1 Sales/Availability

Date	Property	Price	Rate	Notes
March-16	171 Kingston Road, Teddington	£650,000	£434 (NIA)	This is a freehold office/studio with development potential. The property comprises a single storey business premises arranged around a forecourt with parking for up to 5 cars. The property is arranged as two separate but connected buildings, one to the front and one to the rear. The front building comprises open plan office with reception, kitchen, male and female WC's and a meeting room. The rear building benefits from B8 use and has its own entrance, single WC, kitchenette and studio/storage space. There is a single roller shutter in place however the opening has been closed up using non structural block work. The property extends to 1,496 sq ft and the office accommodation is in very good modern order.
Oct-15	1a May Road, Twickenham, TW2	£465,000	£490 (NIA)	A self-contained office building over two floors which have been finished and fitted out to a high specification. On the ground floor are a reception area, office, W/C and fitted kitchen whilst the first floor mostly comprises open-plan office accommodation. The building is located along May Road, to the north of Twickenham Green
2014	The Green, Twickenham	Offers in excess of £1m	£273 (GIA)	A former church facing Twickenham Green that benefits from B1 use. Set over three floors the GIA measures 3,659 sq ft. Subject to planning permission, the site poses development potential to residential or D1/D2 uses as well as its existing B1 use. The property was subsequently let (see below).

D1 Lettings/Availability

Date	Property	Rent	Status	Comments
May-16	121-125 Heath Road, Twickenham	£144,000 per annum	Under offer	This property is located on the ground floor below a residential development of flats. The property is new and offered in shell condition with the benefit of D1 use. The property is under offer at approximately £30 per square foot.
May-16	Clarence House, Hampton Hill	£120,000 per annum	Let	Former office building with planning for D1 use. Rent equates to £25 per square foot.
Nov-14	The Green, Twickenham	£75,000 per annum	Let	A former church facing Twickenham Green that was being used as offices with ancillary crèche and community uses. Set over three floors the GIA measures 3,659 sq ft. Subject to planning permission, the site poses development potential to residential or D1/D2 uses as well as its existing B1 use. It was let for use as a D1 day nursery at a rent equating to £20.50 per sq ft.
Sept-14	10 Tangle Park Road, Hampton, TW12	Let	£37,000 per annum exclusive	The property is located on Tangle Park Road as part of a complex of predominantly commercial buildings that includes a Sainsbury's supermarket, a Boots chemist and a number of private local retailers including a dentist, medical centre, public house and a sports hall. The property comprises two separate nursery rooms currently arranged to cater for two different age groups, a kitchen, offices, WCs, garden space at the rear and a forecourt to the front of the premises, providing parking. It extends to a GIA of approximately 152 sq m (1,637 sq. ft). The property was let on a new 15 year FRI lease outside of the Landlord and Tenant 1954 Act. 5 yearly upward only, RPI linked rent reviews. 3 months rent free. The rent equates to £21.38 per sq ft.

Retail Lettings/Availability

ADDRESS	Details	Date	Rent	ITZA	Zone A
52 Broad Street, Teddington	Rent Review	Feb-14	Average annual rent £18,500 pa.	337 sq. ft. Based on Valuation Office measurements.	£54.90
35 Broad Street, Teddington	New Lease.	Mar-14	£24,000 pa	401 sq. ft plus 53 sq. ft storage.	£58.60
32 Broad Street, Teddington	New Lease.	Jun-14	£24,000 pa	479 sq. ft	£50.10
36 Broad Street, Teddington	New Lease.	Jul-14	Average annual rent £21,800 pa	336 sq. ft plus rear offices of 168 sq. ft.	£54.00

14.0 Conditions/Limitations For Carrying Out This Valuation/Report

- 14.1 We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or any other deleterious material has been used in the construction of the property and we are therefore unable to report that the property is free from risk in this respect. For the purposes of this valuation we have assumed that such investigations would not disclose the presence of any such material in any adverse conditions.
- 14.2 We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination.
- 14.3 In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses of either the property or any neighbouring land to establish whether there is any potential for contamination from these uses or sites to the subject property and have therefore assumed that none exists, nor have we had regard to the contents of the Register of Land which may be subject to contamination.
- 14.4 Should it however be established subsequently that contamination exists at the property or on any neighbouring land or that the premises have been or are being put to a contaminative use, or that the property is on the Register, this might reduce the values now reported.
- 14.5 We would point out that we have not carried out a building or structural survey of the premises nor have we inspected woodwork or other parts of the property which are covered, unexposed or inaccessible and such parts will be assumed to be in good repair and condition. Many parts of the property were inaccessible.

- 14.6 The report will not purport to express an opinion about or to advise upon the condition of un-inspected parts and should not be taken as making any implied representation or statement about such parts.
- 14.7 This report is provided for the stated and sole purpose of providing you with strategic advice in relation to the existing building and the proposed development of the property. It is confidential to you and your professional advisors.
- 14.8 The Valuer accepts responsibility to the client alone that the report has been prepared with the skill, care and diligence reasonably to be expected of a competent Chartered Surveyor but accepts no responsibility whatsoever to any person other than the client. Any such person relies upon this report at his own risk. Neither the whole nor any part of this report or reference to it may be included in any published document, circular or statement not published in any way without the Valuer's written approval of the form and context in which it may appear.

15.0 Conclusion and Recommendations

- 15.1 The existing building provides well located, prominent offices with excellent links to public transport. We would expect good demand for these offices in the open market on the basis of both sales and lettings. There are however some works that would need to be undertaken to the roof and windows should the property be retained for office use.
- 15.2 The proposed redevelopment of the site would provide good quality ground floor commercial space. We would anticipate good demand for this space in the current market from businesses operating within each of the potential use classes including offices, retail and D1 uses.
- 15.3 We would recommend that you make the suggested level changes to the ground floor to allow for future flexibility and we would recommend you consider the installation of a goods lift as it appears there is space within the lower ground floor undercroft area.

We trust the above provides you with the information that you require, however should there be any issues upon which you would like further clarification, please do not hesitate to contact us.

Yours sincerely,

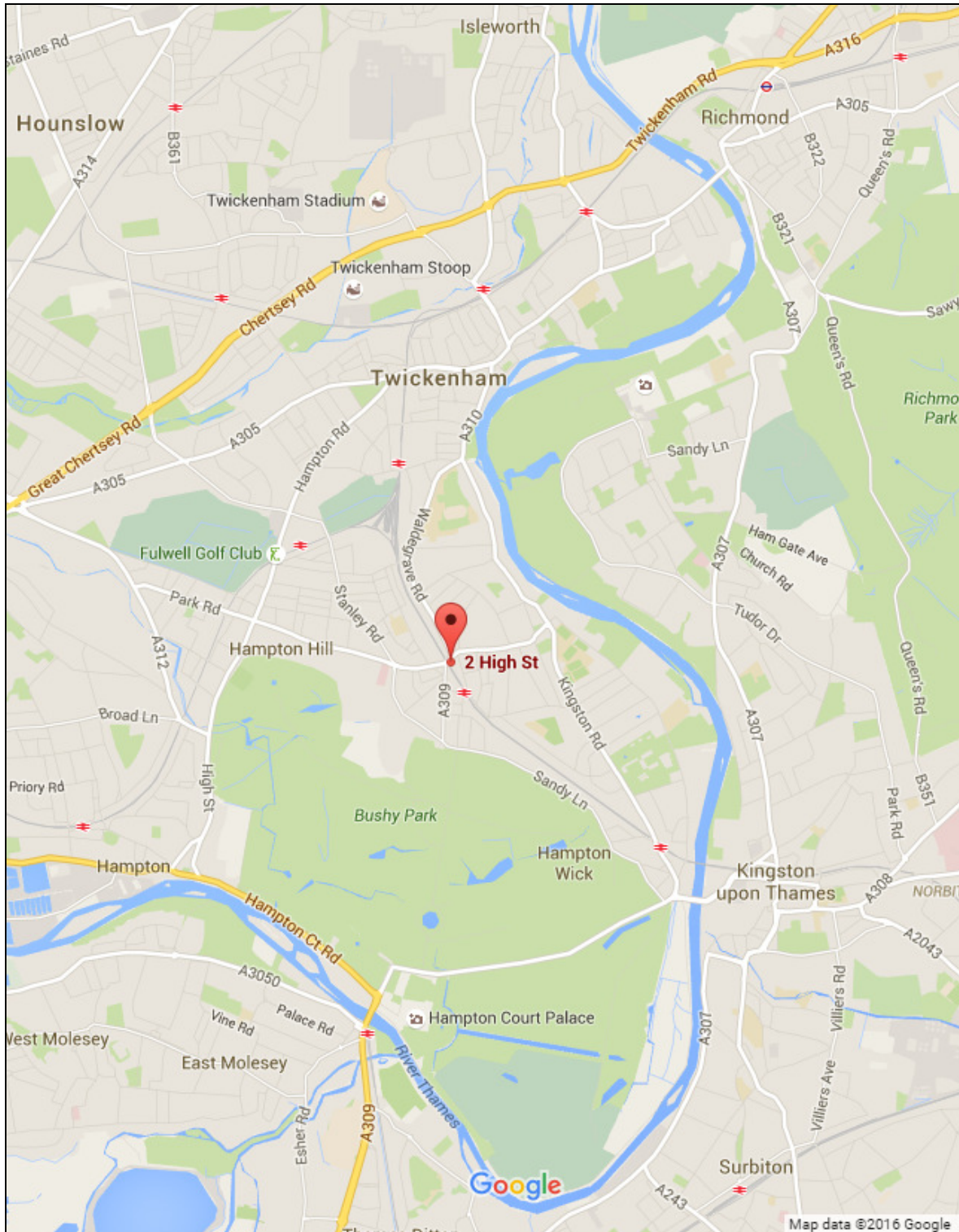
M. Walters

Matthew Walters MSc MRICS

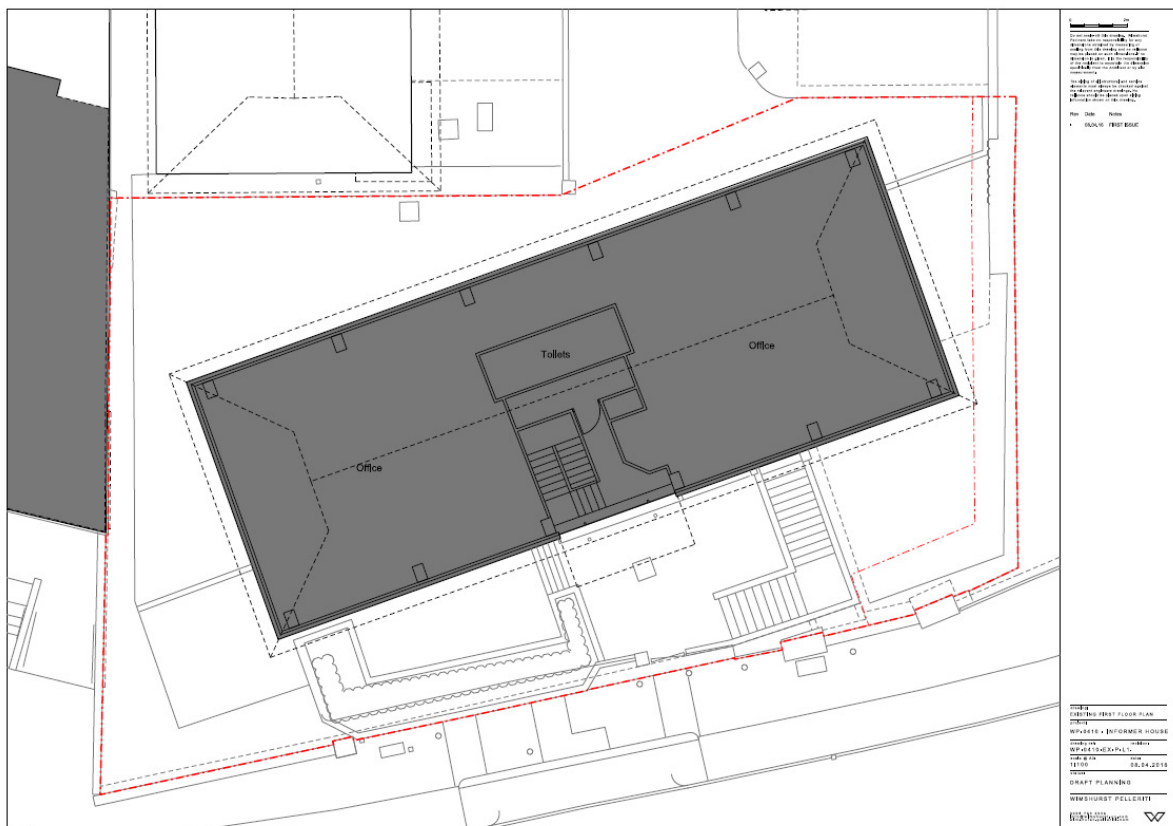
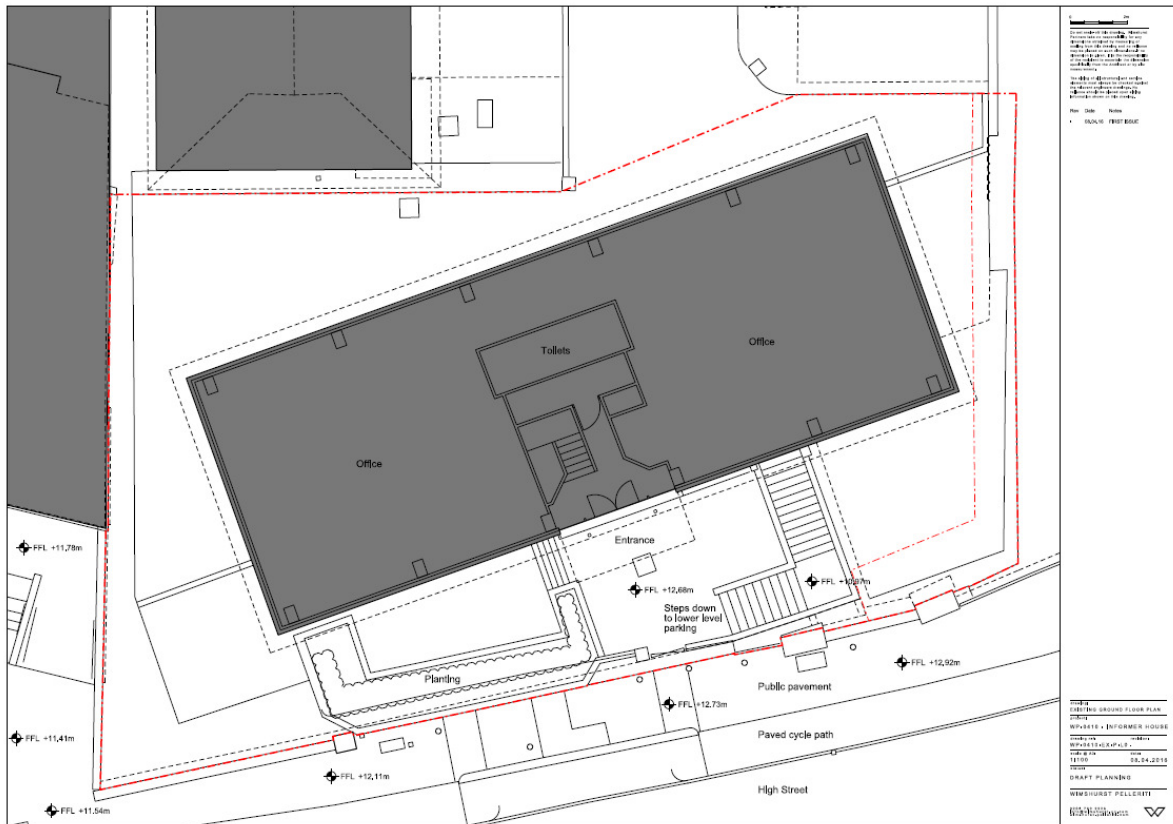
Associate Director

matt@snellers.com

APPENDIX 1 – Location Plan



APPENDIX 2 – Existing Plans



APPENDIX 3 – Proposed Commercial Plan

