

MARKETING FEASIBILITY REPORT

13th June 2018

Instructions received from Chris & Dawn Roads working with Indigo Planning
For consideration of the LBRUT Planning Department

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Arlington Works, 21-27 Arlington Road, Twickenham, TW1 2BB

Andrew Weeks Head of Department Featherstone Leigh Commercial

I was appointed as head of department for Featherstone Leigh Commercial in February 2010 based at head office; Holbrook House, 34-38 Richmond Hill, TW10 6UA.

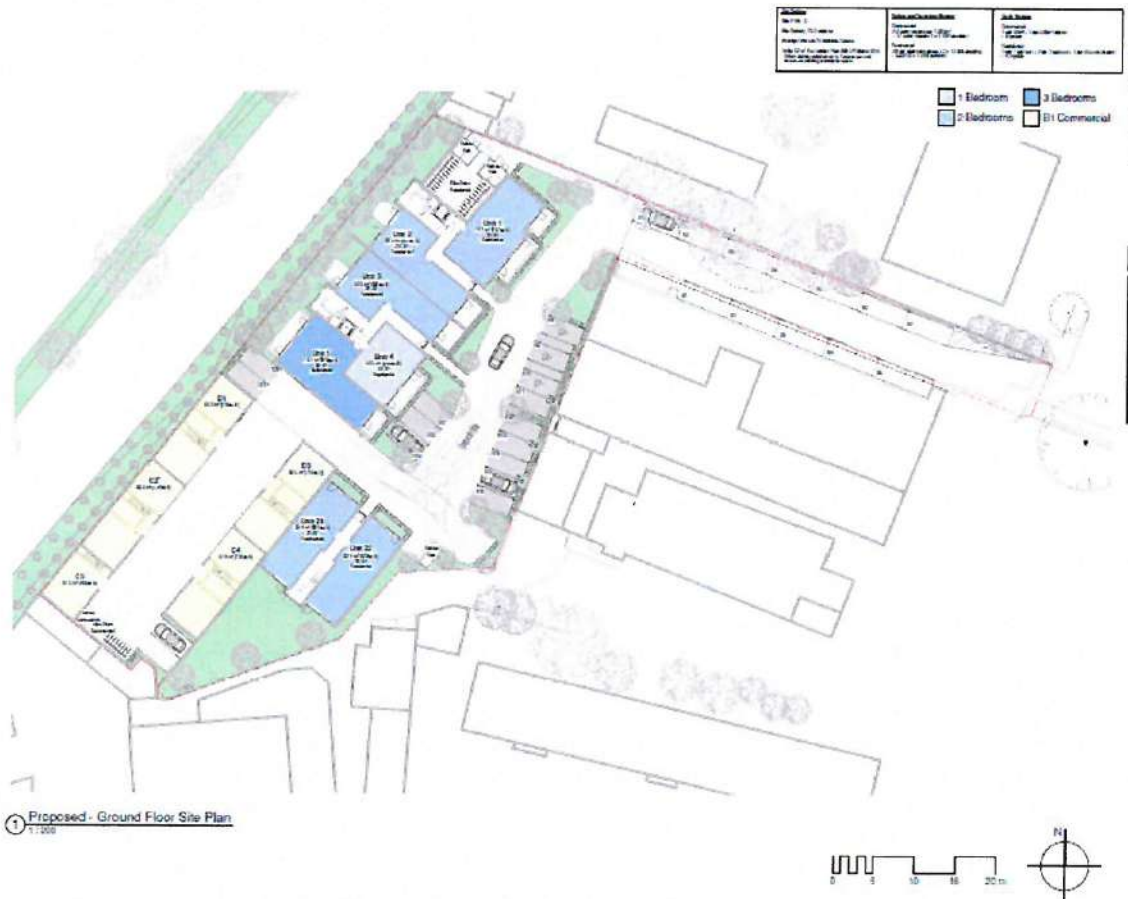
The practice advises a large and diverse range of clients, from statutory bodies, multiple unit landlords to private individuals. Viability and feasibility has become an important part of portfolio management, reflecting a rapidly changing commercial environment.

Over the last 8 years, I been actively involved in the sale and letting of commercial space within Richmond and advising on marketability and demand, often from the conceptual stage of pre-development.

In a collaborative capacity, I attend the commercial agent’s quarterly meetings at York House with Susan Shaw the Business and Enterprise Manager Serving Richmond and Wandsworth Councils.

Introduction:

Indigo Planning have provided us with a scheme at Arlington Works which is for the redevelopment of former couch houses listed as Buildings of Townscape Merit set in a cobbled court yard.



The proposal is to renovate into office units with repairs to the cobble stone court yard to form a character enclave of 5 two storey offices with an NSA of 610 m² / 6,568 ft². The BTM listing presents some challenges as it only lends itself to multiple unit occupation but in reality and for this location, presents the ideal B1 Office product. I will comment further later in my report.

Existing:

Occupied predominantly on flexible lease terms many of which are historic tenancies, there has been no provision for upkeep or maintenance. This is common place for light industrial sites, workshops etc. but ultimately leads to building and site disrepair which is impossible to address on a piecemeal basis.

I include a photographic schedule of condition in the additional information section at the end of my report but to summarise:

- The slate tiles on the roof have all been covered in meshing and painted to keep them in place and the buildings watertight. I am informed that this "temporary measure" was implemented 20 years ago.
- Windows are timber sash, rotting and singled glazed.
- The cottages have obvious damp as there is no heating.
- Roof and guttering all needs replacing.
- The end unit has a vertical crack suggesting subsidence. Lateral restraint tie bars and straps probably needed.
- Brickwork all needs repointing
- Ivy damage to the rear flank of the cottages backing onto the railway line.

The extent of works has escalated through years of neglect and now represents a financial commitment that is only viable through redeployment of the space into B1 Offices where the rent levels or capital values just about warrant the expenditure. As workshops and or light industrial units the only viability is applying band aid solutions which inevitably only leads to urban blight.

Current Rent £6.30 per square foot.

Refurbished Estimated Rental Value

B1 Office rents circa £25.00 per square foot

B2 B1(c) rents circa £10.00 - £12.00 per square foot.

Leant-to Sheds:

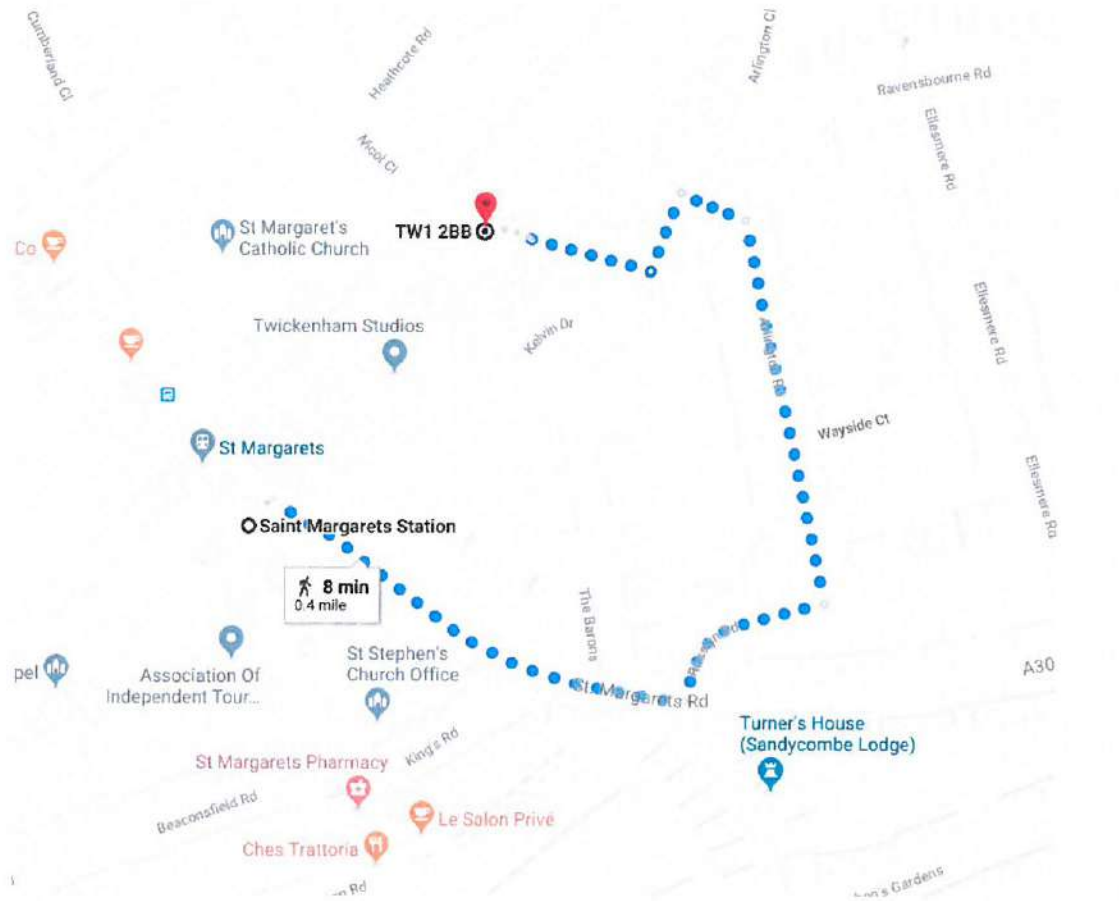




Constructed from corrugated metal and wooden windows the lean-to sheds are long past being fit for purpose. The corrugated metal has rusted and bent out of shape and the wooden windows rotted by the elements. They could in theory be replaced by similar cheap material, prefab constructions but would never provide any meaningful commercial space / facility on this basis. The new proposed floorspace in the BTM will easily absorb the minimal loss of these units providing high quality, sustainable and usable commercial space within the floorplate.

Location:

Arlington Works is set in a predominantly residential backwater approximately 7 to 8 minutes' walk from St Margarete's Train Station. There are comprehensive bus services running to target site from Richmond (Mainline and District Line) Station Numbers: 33, 490, H22, N22, R68 and R70.



There are good local amenities in St Margaret's with a wide range of cafés, restaurants, bars and comprehensive convenience stores along the Richmond Road and St Margaret's high street. Aldi will be a welcome addition to office workers and Marble Hill Park and access to the River Thames offer further recreational options for extended breaks and after work socialising.

The Market:

Office Space within the Richmond borough experienced a mass culling as a result of central government policy allowing offices to convert to residential under Permitted Development. This was stemmed to a degree by the local council introducing Article 4's protecting key employment sites within easy walking distance to Richmond Station but not before losing over 25% of office stock.

Commercial Agents are in general agreement that office space has become redefined with occupiers looking for smaller space on flexible terms and activity in these areas far out weighing the larger 1,500 square foot plus FRI spaces which was the norm only a few years ago.

The proposed unit sizes at Arlington Works are ideal for the current levels of demand. The overall size is sufficient to avoid isolated office space which is also a factor with businesses looking for some synergy from other office occupiers / businesses.

Marketability Arlington Mews:

I mentioned previously the constraints of delivering B1 at site which actually in terms of the location works well. The site enjoys reasonable amenities and transport but probably a tad shy of being ideal for a large company, single occupation. The unit sizes lend them to being popular with local residents (expanding from working at home), SME's and IT / Technology start-ups. My expectation would be to introduce a serviced office provider to take up the entirety of the commercial element who will offer the flexible terms currently so popular.

Given that the site is outside Town Centre, rents and business rates will be noticeably more affordable which in this austere climate will be well received and be significant in the take up times once the works are completed.

The product being proposed could also bring to the market something much sought after and yet very hard to find. Office's to purchase at affordable levels. The enquiries we have received over the last 2 or 3 years from people looking to buy office space for their own occupation have been significant, invariably to hold in a SIPP. This demand just has not been met to any meaningful degree.

Pricing:

Where as we have seen prime Grade A office space in the town centre being taken up at £45.00 - £50.00 psf I would recommend Arlington Works being delivered with the expectation of £25.00 to £27.50 per square foot. It offers SME's an opportunity very hard to come by elsewhere in the borough. This generates Capital Values From £280,000 for the smallest office, to £360,000 for the largest unit. Opportunities of this nature are very hard to source, and the demand is significant.

*Calculation based on £25.00 psf and 6.5% Yield (Not Assuming Acquisition Costs for owner occupiers)

Marketing Tools:

The approach will be influenced by whether we are looking to sell or let the whole or each of the offices separately but in general the process is similar:

Signage, large glossy board with CGI's being prominently displayed to capture the local market.

Marketing Particulars which will be circulated to the FL Data Base and the Estate Agents Clearing House EACH (typically promoting to over 400 Commercial Agents)

On line advertising: Featherstone Leighs Company Website

CoStar – The most commonly used commercial agency collaboration tool, favoured by office acquisition agents.

Show Case – the customer facing version of CoStar

Right Move Commercial

For this site I envisage the take up will be from business owners that live in the borough and would look to work with Faust PR who handle our publicity and marketing campaigns.

Conclusion:

Without a comprehensive and financially viable solution the site will fall into further disrepair, I believe the cost of delivering good quality offices from the existing structures challenging but if done well will provide premises that will be very well received by tenants and purchasers. There will be options for exit both end users and serviced / managed office operators.

The site will offer characterful elevations and outlook which I believe a unique selling point in an area where so many offices are large purpose built institutionalised buildings.

With the correct exposure, I believe the commercial element will be very well received. The project is exciting and I very much hope to be further involved as the planning process moves forward.

For and on behalf of Featherstone Leigh Commercial



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Holbrook House

34-38 Hill Rise

Richmond, Surrey

TW10 6UA

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www.featherstoneleigh.co.uk

020 8332 2707

Additional Information:

Photo Library of building disrepair

Lease Comps Summary

Lease Comps Detail – Displaying how Arlington Works will offer much needed competitively priced office space.

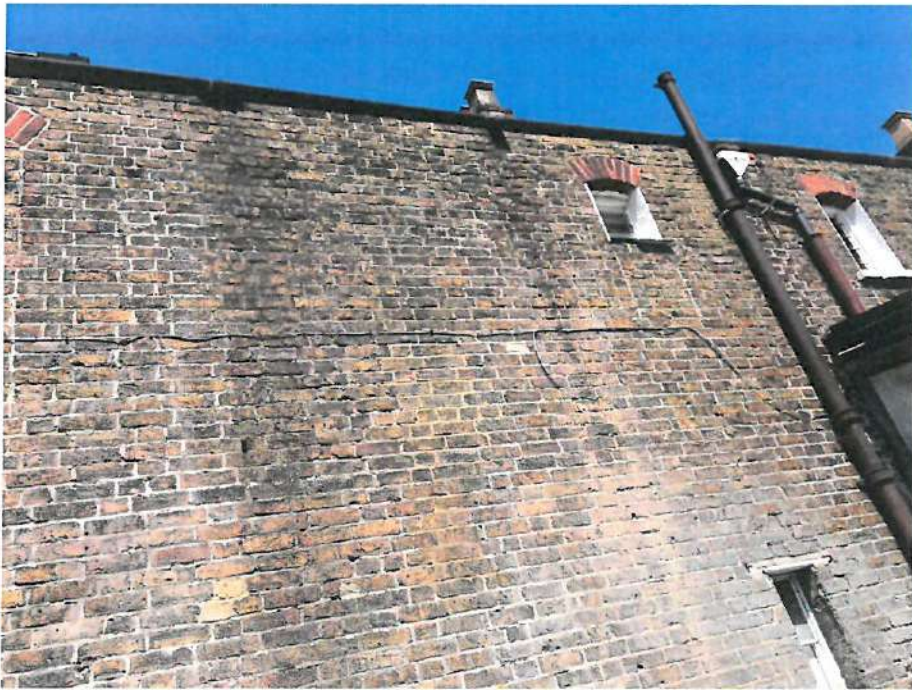
Registered Office
Holbrook House, 34-38 Hill Rise,
Richmond, Surrey, TW10 6UA

Registered Number 2780193
VAT Number 626 8298 05

Incorporating Smith & Co.















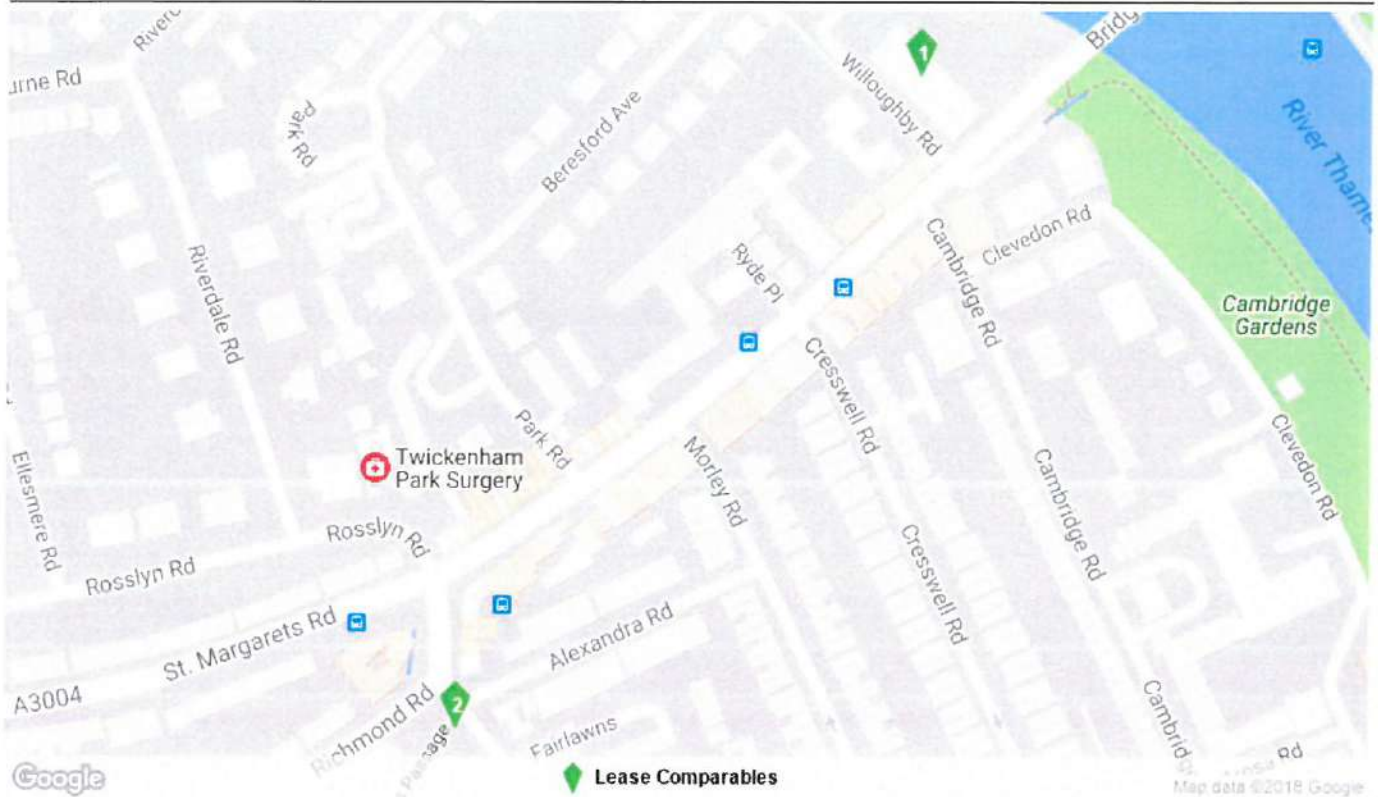


Lease Comps Summary

Lease Comps Report

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
3	£24.04	£25.37	13

LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	3	£20.79	£24.04	£25.00	£25.00
Achieved Rent Per SF	2	£21.14	£25.37	£25.37	£29.60
Net Effective Rent Per SF	-	-	-	-	-
Asking Rent Discount	2	-18.4%	-10.8%	-10.0%	-1.7%
TI Allowance	-	-	-	-	-
Rent Free Months	1	1	1	1	1

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	3	5	13	6	27
Deal Size	3	1,419	2,079	1,419	3,400
Lease Deal in Years	2	1.0	3.0	3.0	5.0
Floor Number	1	1	1	1	1

Lease Comps Summary

Lease Comps Report

	Property Name - Address	Rating	Lease			Rents		
			SF Leased	Floor	Sign Date	Type	Rent	Rent Type
1	Richmond Bridge House... 417-421 Richmond Rd	★★★★★	1,419	Unkwn	31/07/2011	New	£21.14/fri	Achieved
2	358A Richmond Rd	★★★★★	3,400	Unkwn	11/02/2008	New	£25.00	Asking
1	Richmond Bridge House... 419 Richmond Rd	★★★★★	1,419	1st	03/01/2007	New	£29.60/fri	Achieved

Lease Comparables

1  **1,419 SF Office Lease Signed Jul 2011 for £21.14/SF (Achieved)** ★ ★ ★ ★
Suite 421 Richmond Bridge House - 417-421 Richmond Rd - Entire Unknown Floor, Leased by Mr Richard Callender Exclusive Training
 Twickenham, TW1 2EF - Richmond upon Thames Submarket

Asking Rent:	£20.79/SF	Start Date:	Jul 2011	Rent Free:		Deal Type:	New Lease	Property Type:	Office Class B
Achieved Rent:	£21.14/SF	Term:	1 Year	Breaks:		On Market:	5 Mos	Building Area:	7,517 SF
Effective Rent:		Exp. Date:	Jul 2012	Reviews:		Build-Out:		Rates:	

Amenities: **Air Conditioning, Category 5 Lighting**

Leasing Rep: **Featherstone Leigh Ltd - Andrew Weeks**

Tenant Rep:

Landlord:

Tenant SIC:

Lease Notes: Mr Richard Callender has taken 1,419 sq ft (131.83 sq m) of office space from Richmond Bridge House on a 1 year lease at £30,000 pa, equating to £21.14 psf (£227.57 psm). Featherstone Leigh acted on behalf of Richmond Bridge House. Mr Richard Callender was unrepresented. The quoting rent was £29,500 pa, equating to £20.79 psf (£223.77 psm). Achieved rent confirmed by Andrew Weeks at Featherstone Leigh.

ID# 113165163

2  **3,400 SF Office Lease Signed Feb 2008 for £25.00/SF (Asking)** ★ ★ ★ ★
358A Richmond Rd - Entire Unknown Floor
 Twickenham, TW1 2DU - Richmond upon Thames Submarket

Asking Rent:	£25.00/SF	Start Date:	Feb 2008	Rent Free:		Deal Type:	New Lease	Property Type:	Office Class B
Achieved Rent:		Term:		Breaks:		On Market:	27 Mos	Building Area:	3,572 SF
Effective Rent:		Exp. Date:		Reviews:		Build-Out:		Rates:	

Amenities:

Leasing Rep: **Michael Rogers LLP**


Tenant Rep:

Landlord:

Tenant SIC:

Lease Notes: Lease details confidential. (Costar Research 31/03/08)

ID# 113124727

3  **1,419 SF Office Lease Signed Jan 2007 for £29.60/SF (Achieved)** ★ ★ ★ ★
419 Richmond Rd - Entire 1st Floor, Leased by Cognito Ltd
 Twickenham, TW1 2EF - Richmond upon Thames Submarket

Asking Rent:	£25.00/SF	Start Date:	Jan 2007	Rent Free:	Spread Over ...	Deal Type:	New Lease	Property Type:	Office Class B
Achieved Rent:	£29.60/SF	Term:	5 Years	Breaks:		On Market:	7 Mos	Building Area:	7,517 SF
Effective Rent:		Exp. Date:	Jan 2012	Reviews:		Build-Out:		Rates:	

Amenities:

Leasing Rep: **Michael Rogers LLP - Chris Bulmer**

Tenant Rep:

Landlord:

Tenant SIC: **Business Services, NEC**

Lease Notes: Cognito Ltd has taken 1,419 sq ft (132 sq m) of first-floor office space from Richmond Bridge House on a five-year lease at £42,000 pa, equating to £29.60 psf (£319 psm), subject to an option to break in year three. Michael Rogers acted on behalf of Richmond Bridge House. One month rent-free period was agreed. The quoting rent was £35,475 pa, equating to £25 psf (£269 psm). Achieved rent confirmed by Chris Bulmer at Michael Rogers. (FOCUS Research 15/02/07)

ID# 113008835

Lease Comps Details

1 26-28 Paradise Rd - Peregrine House
 Richmond, TW9 1SE - Richmond upon Thames Submarket



TENANT

Tenant Name: **The Orange Square Co Ltd**
 Industry: **Retailers/Wholesalers**
 SIC: **Misc Retail Stores**

LEASE

SF Leased: **4,011 SF**
 Sign Date: **Sep 2016**
 Space Use: **Office**
 Lease Type: **Direct**
 Floor: **2, 3 Floor**

RENTS

Asking Rent: **£42.50/SF-£45.00/SF**
 Achieved Rent: **£45.00/SF**
 Net Effective Rent: **£45.00/SF**

CONCESSIONS AND BUILDOUT

Asking Discount: **-2.86%**
 Buildout Status: **Full Build-Out**

LEASE TERM

Start Date: **Sep 2016**
 Expiry Date: **Sep 2026**
 Lease Term: **10 Years**
 Reviews: **Sep 2021**

PROPERTY EXPENSES

Service: **Fully Repairing & In...**
 Service Charge: **Withheld**

TIME ON MARKET

Date On Market: **Feb 2016**
 Date Off Market: **Sep 2016**
 Months on Market: **7 Months**

TIME VACANT

Date Vacated: **May 2016**
 Date Occupied: **Nov 2017**
 Months Vacant: **18 Months**

MARKET AT LEASE

Vacancy Rates	2016 Q3	YOY
Current Building	64.3%	▲ 64.3%
Submarket 2-4 Star	4.2%	▼ 1.3%
Market Overall	9.1%	▼ 0.3%

Same Store Asking Rent/SF	2016 Q3	YOY
Current Building	£43.75	▲ 59.1%
Submarket 2-4 Star	£34.41	▲ 12.6%
Market Overall	£34.48	▲ 11.2%

Submarket Leasing Activity	2016 Q3	YOY
12 Mo. Leased SF	148,594	▼ 2.6%
Months On Market	7.4	▲ 0.4

LEASING AGENTS

Hanover Green
 40 Piccadilly
 London, W1J 0DR
 David Cuthbert 020 3130 6401
 Harry Pruden 020 3130 6416

Martin Campbell & Co
 6 Duke St, Suite 6
 Richmond, TW9 1HP
 Dominic Arthur 020 8940 2266

PROPERTY

Property Type:	Office	NIA:	11,240 SF
Status:	Built Jul 1965	Floors:	5
Tenancy:	Multi	Floor Size:	2,512 SF
Construction:	Masonry	Vacancy at Lease:	64.3%

LEASE NOTES

The Orange Square Co Ltd has taken 4,011 sq ft (373 sq m) of office space from Cluttons Capital Partners LLP on a 10-year lease at £180,500 pa, equating to £45 psf (£483.91 psm), subject to a rent review in year five. Hanover Green and Martin Campbell & Co acted on behalf of Cluttons. The quoting rent was £170,467.50 pa, equating to £42.50 psf (£457.02 psm). Deal confirmed on CoStar News.