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181025 NHS Barnes Marketing History

**Private & Confidential**

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**Former Barnes Hospital - Marketing Summary**

Further to recent discussions relating to the proposed redevelopment of the former Barnes Hospital (“the Site”), I am writing to provide you with a summary of the historic market process relating to the Site.

The information contained herein has been provided for the sole purpose of informing the London Borough of Richmond upon Thames’ planning department as to the Site’s historic marketing and associated interest received. For confidentiality reasons, we have not provided full details of the offers received or the parties who submitted them.

**1. Marketing Context**

Whilst we do not propose to provide you with a detailed background as to the rationale of the Southwest London and St George’s Mental Health NHS Trust (“the Trust”) for disposing of the Site, we will provide some limited background as context for the marketing exercise.

Following a thorough review of their estate and extensive consultation with stakeholders, the Trust identified Barnes Hospital as surplus to requirement and suitable for disposal. The decision to sell the majority of the Barnes Hospital site, whilst retaining a section of land for continued healthcare use, was ratified and formalised through the requisite approvals of the property specific Outline Business Case (“OBC”) prepared by the Trust. Following these approvals, the Site was first listed on the e-PIMS database and then, having received no approaches from other Public Bodies, Savills was instructed to market the Site openly. A more detailed summary of the e-PIMS marketing process can be found below.

The Trust’s overarching objective for the marketing process, as is common for all Public Bodies, was to achieve best consideration in the sale terms..

Prior to commencing marketing, the Trust entered into formal pre-application discussions with LB Richmond (“the Council”). The intention of this engagement was to establish whether the change of use and redevelopment potential of the Property was acceptable in principle and therefore give some guidance to potential purchasers.

To ensure maximum development and transactional optionality, whilst also providing the market with the opportunity to put forward their most favourable terms, Savills recommended that offers be sought on both unconditional and subject to planning bases. Whilst a conditional offer represented a potentially higher capital receipt than an unconditional sale, the transactional risk was higher and period to capital receipts longer due to the need to secure a planning permission. Conversely, although an unconditional sale would generate a lower capital receipt, the transactional risk was significantly less due to the negligible planning risk with a shorter

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payment timeframe, which would provide the Trust with funds for immediate use to assist in the delivery of the Estate Modernisation Programme (“EMP”).

Savills recommended a full, open market disposal campaign that incorporated national advertising to ensure that the opportunity reached as wide a potential purchaser audience as possible.

## **2. e-PIMS**

Prior to commencement of the public marketing campaign outlined below, the Site was listed as available for sale on the Electronic Property Information Mapping Service (e-PIMS™). e-PIMS is the central database of Government Central Civil Estate properties and land. It records the precise location of property, along with information such as landlord details, lease data and usage. Users are able to find properties on an electronic map, amend their own property details, and use the system to search for vacant space.

In essence, all government departments and related bodies such as NHS Trusts are required to advertise any disposals on that portal so that other public sector bodies have an opportunity to purchase them before they are offered to the general public.

The Site was first listed on e-PIMS in August 2016 as surplus to requirement and has remained on there since. The listing has generated no interest from other public sector bodies.

There is no statutory period of time that a property has to be listed as surplus on e-PIMS before it can be offered for sale to non-public bodies. However, it is generally considered that 3 months is a reasonable period for a property to be made available to other public sector bodies before it is offered for sale more widely.

## **3. Open Marketing and First Round Offers**

In light of the e-PIMS listing generating no interest from other public sector bodies, the Trust instructed Savills to initiate a marketing strategy that sought to achieve a successful disposal in line with its objectives. The premise of the agreed marketing strategy was to advertise the property in such manner that ensured comprehensive coverage of potential purchasers, including any special purchasers, thus creating a competitive tension in the disposal process and driving the best terms from the market.

On 20th January 2017, approximately 4 months after listing the Site as surplus on e-PIMS, the opportunity was circulated by email to more than 2,900 parties on Savills’ database. The email contained a link to a Savills hosted on-line ‘dataroom’, which contained detailed information relating to the Site, the development opportunity and the disposal process. All interested parties were required to agree to a non-disclosure agreement before accessing the dataroom.

On 21st January 2017 the opportunity was advertised in the Estates Gazette and simultaneously listed on the Savills and Estates Gazette websites.

The opportunity was presented to the market on the basis that the Site comprised three development distinct plots with the proposed uses on each plot based on the pre-applications discussions, with offers being sought for two of these three plots. The opportunity was advertised as follows:

- Freehold mixed use development opportunity in the London Borough of Richmond upon Thames.
- Pre-application engagement in relation to potential mixed-use redevelopment of site to provide educational premises (2,300 sqm), healthcare centre (2,200 sq m) and 83 residential units.
- Plot A – Proposed C3 Residential Use. 0.7 ha (1.8 acres). To be sold for development.
- Plot B – Proposed C2/D1 Community Use. 0.4 ha (1.1 acres). To be sold for development.
- Plot C – Proposed D1 Healthcare Use. 0.3 ha (0.6 acres). To be retained by the Vendor.
- For sale with vacant possession.

Whilst the Site was marketed with the benefit of the pre-application engagement referred to above, it was offered without any restriction in respect to the ongoing use for Plots A or B, other than the Trust's requirement to retain Plot C for their own use.

The advertising campaign generated 99 additional enquiries and in excess of 240 parties registered for and accessed the dataroom during the course of the marketing. Owing to the open nature of the site and the understanding that any development would be new build, accompanied inspections of the Site were not undertaken and so there is no record of the number of parties who visited the property in person.

A tender date was set in advance for 1st March 2017, allowing approximately 6 weeks for parties to undertake due diligence on the opportunity. As referred to above, offers were invited on both an Unconditional and Subject to Planning basis and interested parties were asked to identify whether they were bidding for just Plot A, just Plot B or both Plot A and B.

A total of 7 bids were received from 6 independent parties and summary of those bids is set out in the table below.

|                           | <b>Plot A only</b> | <b>Plot B only</b> | <b>Plots A &amp; B Combined</b> |
|---------------------------|--------------------|--------------------|---------------------------------|
| <b>Unconditional Bids</b> | 2                  | 0                  | 1                               |
| <b>Conditional Bids</b>   | 3                  | 0                  | 1                               |

The offers received were from developers interested in progressing either C2 or C3 residential uses on the Site. There were no offers from parties looking to progress community or educationally focussed uses on the site.

A number of parties who did not bid, raised concerns about potential access limitation in relation to developing the Site and the relatively negative pre-application feedback that had been received.

#### **4. Bid Analysis and Second Round Offers**

The Trust held an offer evaluation meeting with its full professional advisory team on the 21st March 2017. The evaluation process took into account both quantitative and qualitative aspects of each bidders written submissions.

Given the relatively limited response to the marketing and the lack of interest in Plot B in isolation, the Trust decided to invite all parties back to a second round of bidding where offers were invited from Plots A & B combined on 29<sup>th</sup> March.

All 6 parties were interviewed following the second round of bidding. The interviewing panel comprised representatives from the Trust, Valuation Office Agency (VOA), Montagu Evans (The Trust's planning consultants) and Savills. The VOA's inclusion in the assessment provided an independent opinion of the process and accorded with central Government's guidance for management of healthcare estates and facilities.

The bidder interviews provided each party with an opportunity to present an overview of their company, their track record, their funding position and their development proposals as well as demonstrate the level of due diligence undertaken at that point. It provided the Panel with an opportunity to clarify any matters within the offer that were not clear as well as any other matters that became apparent within the interview itself.

Following bidder interviews, the Trust contacted the Council to provide them with a marketing update and inform them that no interest had been received from parties interested in progressing either community or educationally focussed development. At this time, we understand that the Council highlighted its desire to progress their own educationally focussed proposals on the site and sought to agree a way in which this might be achieved. Owing to the protracted nature of these discussions and the impact of the Council's aspirations for part of the Site on the remaining elements, the Trust were forced to abort their proposed disposal process until they secured further on the Council's intentions.

Whilst considerable time has passed since the marketing process was undertaken and then subsequently aborted, it is noted that the Site has remained listed on ePIMS as available for disposal. No interest has been generated from the ePIMS listing throughout this period. Conversely, intermittent interest has been received from the private sector but no offers have been submitted.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rob Pollock". The signature is fluid and cursive, with the first name "Rob" and the last name "Pollock" clearly distinguishable.

**Rob Pollock MRICS**  
**Director**  
**Development**