

17 August 2021

Mrs J Wood
Brownfield Estates
31 Priory Avenue
Chiswick
London
W4 1TZ

Dear Mrs Wood,

57 RIVER ROAD, LITTLEHAMPTON, WEST SUSSEX

We refer to our recent conversations and are grateful for your instructions that Marshall Clark provide a update to the marketing appraisal on the building/site we carried out for you last year. We are aware the building/site is well known to you and therefore a detailed description is not required. We therefore comment as follows;

SUBJECT PREMISES

The opportunity comprises a site overlooking and on the east side of the River Arun having direct access off River Road. We have included a copy of the Ordnance Survey sheet extract with the whole site outlined in red. The red line as shown on the plan details what is available for occupation. We understand the legal ownership you have extends a metre or so out from the river frontage into the River Arun but for the purposes of our measurements this has been excluded. From our measurements the site extends to an overall area of around 400 square metres. It comprises open storage and car parking on the south side with a single building on the northern side. The building is arranged over ground first and second floors and is not in a good state of repair as set out in the attached report from my building surveying colleague Wayne Gosden dated 08.07.21.

For the purposes of this marketing report the approximate gross internal floor areas of the building are;

GF - 88.7 sq m (954 sq ft)

1F - 85.8 sq m (924 sq ft)

2F - 51.1 sq m (550 sq ft)

We have included a number of photographs below.



River Road frontage looking north west



River Road frontage looking South West



Rear of Building



Rear of Building



Open parts of site on South Side of Building

We understand the current tenant who has been in occupation for many years continues to occupy under a licence agreement and if the property were to come back to you it would be in the condition we saw during our inspection on 05 July 2021. The open parts of the site to the south require general clearance as can be seen from the photographs above. The main issues are with the building on the northern side of the site which as set out in my colleagues report (as a building surveyor) is totally dilapidated and in need of major repairs and significant expenditure to put it into a state of repair where it would be possible to carry out marketing to see whether a new occupier could be found.

For the purposes of this marketing appraisal and from our experience as commercial property agents and surveyors we consider the interest (if there were any) is likely to be under the two options summarised with our comments below;

Option A - you instruct us to market the building in its current condition together with the open storage/car parking to the south. In our view the building is in a sufficiently poor condition that it cannot be realistically used. If you were to go down this option, we would suggest the building be boarded up/secured with all services cut off. You will then be left with the open storage area which could be rented out for example to say scaffolders or other storage purposes for which there is in our experience a demand. If you were to do this we would anticipate in the current market achieving say a three year lease with the tenant

responsible for keeping the open area in a satisfactory condition and rental of around say £6,500-7500 per year plus usual outgoing and business rates.

The disadvantage of this is that you would retain the building boarded up which would not stop the inevitable further deterioration of the structure which is in our view at the end of its life. What you would be achieving by this option is short term cash flow and you are only effectively putting off the day when something needs to be done with the building or it is demolished. We do not therefore consider this option to be a strategically sensible way of looking at the site in the longer term.

Option B - We have not for the purposes of this assessment carried out detailed planning enquiries but are assuming that established planning exists for the light industrial/workshop/storage within the building and open storage/car parking on the external areas. To bring the building into any form of realistic use repairs need to be carried out and as you will see from the attached report my colleague estimates the costs to be around £148,000 + VAT. We are assuming in this assessment that you could recover the VAT.

For marketing we are therefore assuming we are offering the building in a usable condition with a satisfactory EPC for use as industrial/ workshop/storage. In this scenario we consider the market is likely to look towards say a five year lease with a tenant only option to terminate at the end of year three. The tenant would be responsible for the payment of all usual outgoing and business rates plus keeping the building in a satisfactory state of repair including decorations. From our experience, due to the age of the building even in a refurbished condition we feel it is unlikely that the tenant will take on the liability for maintenance of the structure so that would remain with you as the landlord. In this scenario we would be recommending you offer the opportunity at a guide rent of £14-15,000 per year aiming for a rental of around £13,500 per annum.

Analysing the opportunity created by refurbishment of the existing structure, the building has a relatively low floor to ceiling height on the ground floor of around 1.9 metres. Occupiers will be looking at this opportunity and comparing it with standard industrial units on nearby estates and frankly the first floor accommodation is of little use in our view. You would have spent around £148,000 on creating a building which in the modern marketplace we would seriously question whether any occupiers would want to place their business within it as a result of its constraints. For this reason we do not consider this option is a realistic way forward because as freeholder you would be spending a significant amount of capital to create a building for industrial/warehouse use which cannot we suggest compete in a modern business use context with a similar amount of space created by a standard steel portal frame unit with good clear working space and eaves height. We revert to Option A because we find it difficult to see an operator working from the subject premises when they could go to the established estates within a short distance and have a much more usable facility. Equally we cannot see any investor spending £148,000 with all the long term risks involved of obtaining a new occupier to achieve a rental return (ignoring void periods and other holding costs) of around £6-7000 per year – being the return over and above what they could achieve from simply renting out the open storage.

Option C – We have also considered - and this assumes that planning consents could be obtained together with all other regulatory consents- the refurbishment of the building to create more of a bespoke space as offices which could then be used for a specialist business for example designers or architects. My colleagues assessment of this is that to achieve and offer it into the market with car parking in the open area to the side is likely to cost a total of around £245,000.

Within the constraints of the building one would need to obviously look at the layouts but we are assuming for this assessment around 1500 square feet of usable space could be achieved on ground and first floors. The office market is not in a good place at the moment with offices available in the Worthing market at around £10-11 per square foot in Chichester around £12-13 per square foot. Littlehampton is not a recognised prime office location but accepting that the opportunity is well located, overlooks the River and has a good ambiance if we said you could achieve around £11 per square foot this would provide you with a rental of around £16,500 per year on say a 5 year lease with the tenant responsible for all repairs. Realistically we cannot see an investor being interested to carry out this type of refurbishment because the subject premise are not in an office location, you need to spend around £245,000 to create and even if you could find an occupier this will give you a £10,000 per year return (over and above Option A) on the investment which is not going to happen. Investors will always be looking at their returns from properties available in the marketplace. Having spent not far short of a quarter of a million pounds on the site and building you would have created yes a quality bespoke office, but not one we would realistically say would be perceived by investors as a key property in the office market which has a future.

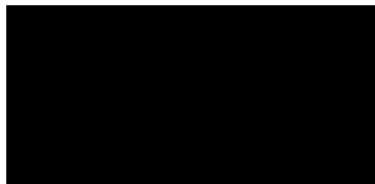
CONCLUSIONS

The property is reasonably well located close to Littlehampton town centre and means of communication. If the existing building has to remain on site we find it difficult to see any economic use for it at the moment other than making it safe and boarding up. The amount of cost that is needed to put it into a usable condition is not reflected by any form of realistic return that you could get on that investment. Equally we have difficulty in seeing that a light industrial/warehouse user would want to be occupying in the modern age a building like this when they can go and rent/occupy a modern industrial/warehouse unit on the nearby estates with a good eaves/floor to ceiling height plus no doubt much more competitive running and repair costs.

On the refurbishment to create bespoke offices, this would undoubtedly be a pleasant place to operate from but this is not a recognised office location and the building would be in the middle of what is now a residential area. It is also not irrelevant that the amount of money required to create the bespoke office building is disproportionate to the end result. Also having gone through the recent pandemic and all the changes which may be long term of home working or hybrid between offices and working from home it really is virtually impossible to see any purchaser/investor wanting to create offices in this sort of location when you look at the extent of works needed and the consequential costs.

We trust this marketing appraisal helps in your consideration of which way to proceed and await hearing from you.

Yours sincerely



STUART CLARK
MARSHALL CLARK LLP