

January 2021

Custom House
The Terrace
Gravesend
DA12 2BW

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To Whom It May Concern

MARKETING REPORT REGARDING LOSS OF B1 OFFICE SPACE

Property: CUSTOM HOUSE, THE TERRACE, GRAVESEND, DA12 2BW

Background

Caxtons Chartered Surveyors were instructed on the 17th of May 2019 to conduct commercial marketing to find a tenant for the building known as Custom House to use as B1 Office space (see the confirmation letter of this instruction in the Appendix). The building has been previously occupied by HMRC, who have moved out in 2018 as part of their transformation programme and relocated to a more suitable premises; and since then the property has been unoccupied. Following the unsuccessful marketing campaign to let the premises, Caxtons Chartered Surveyors were re-appointed on the 19th December 2019 to market the property for sale as B1 office space and this report mainly focuses on this campaign, which has run until the end of January 2021. Given the mentioned timelines, it can be confirmed that the property has been marketed for a total period of over 20 months (7 months to let and over 13 months for sale).

This report is required in connection with a Listed Building and Full Planning Application to be submitted by Barron Edwards Planning consultants. It has been prepared in response to the pre-planning application advice received in May 2020, in which the policies in the following section were identified as relevant to the application.

Policy

Pre-application written feedback has been provided by the Gravesham Borough Council, in which it has been stated that the principle of the building for residential use may be acceptable, however the core strategy policy CS07 (Economy, Employment and Skills) must be addressed to show that there is no demand for B1 offices through an appropriate marketing exercise carried out in accordance with the Council guidance (Appendix 5). This marketing report was produced in order to comply with these Policy guidelines.

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About Caxtons Chartered Surveyors

Caxton are in independently owned company employing 100 staff and owned by 6 directors of which Mark Coxon who looks after this project is one. They have been trading for over 25 years and are the largest privately owned surveying practice in the South East. They are a multi-disciplinary practice handling Commercial and Residential Management, Valuation and Commercial Property Sales and Lettings. They have offices throughout Kent in Gravesend, Maidstone, Gillingham and Canterbury. Their head office is in Gravesend and are consequently very active within the town.

Personnel:

Mark Coxon has been a Director of Caxtons for over 10 years, previously he was a Partner at Cushman & Wakefield the global real estate advisor based in London covering the UK. Prior to this Mark was a Development Manager for Palmer Capital in Milton Keynes looking after the development of Commercial Property.

Existing site and buildings

The existing site extends to approximately 1 acre and consists of the main Custom House , a Grade II listed building, as well as number of outbuildings to the north of the site towards the river Thames

Location

Custom House is located North East of Gravesend town centre close to Gravesend Royal Pier and adjacent to river Thames. It is sited on the Terrace, in the heritage Quarter and is within the Milton Place Conservation area.

Description

We understand Custom House was constructed in the early 19th century and is arranged over three storeys plus the look out area on the fourth with an element of car parking to the rear. The building is typical of construction of this period in that it comprises a series of individual rooms, narrow corridors and limited facilities/specification when it comes to use as offices. There are single glazed timber sash windows throughout the building ,most of them requiring substantial refurbishment programme.



Condition of the property

The offices throughout the site are dated in their appearance and would benefit from significant refurbishment with an ongoing maintenance programme. In our opinion this has undoubtedly had an impact on the potential tenants and buyers alike, as it would require a significant investment to bring the building infrastructure and internal décor up to modern office specification as can be found elsewhere in the area. We have noticed number of areas affected by damp, as a result of building being left unoccupied and we fear this will spread further across the building making any refurbishment works even more costly given the age of this building.

Internal layout

The total gross internal area of the whole site is approximately 26,000 sqft (approximately 19,000 sqft of net internal). The existing layout of the internal offices create a warren type feeling to the building which is the opposite of what a modern businesses look for – as in most cases they search for an open plan work spaces with ample natural light. Unfortunately in this building there are number of staircases, corridors and dead ends and therefore the layout is very confusing.

Local Market Conditions

There has been limited speculative office development in Kent since the last recession almost a decade ago particularly within the smaller towns. Like many coastal towns in Kent, Gravesend has suffered from limited take-up due to the substandard stock available and general lack of demand. Much of the demand in recent years have been met by some of the business park locations such as Crossways in Dartford, Kings Hill in Maidstone, Gillingham Business Park and more recently Discovery Park near Sandwich. A number of these locations offer modern, cost effective, flexible office accommodation within the range of 3,000 square feet and upwards.

The majority of the office accommodation in Gravesend is Victorian and located above retail or other uses or is in now very dated late 70's or 80's buildings. Similar to many towns in Kent and the South East some of this supply has been eroded by permitted development rights to residential. Of the stock remaining, companies looking to relocate or expand require open plan suites with a modern specification to include air-conditioning, nearby amenities and either a good car parking ratio or very good public transport.

Although there are a number of start-up companies both existing and looking to expand, these types of businesses tend to seek short term flexible lease arrangements. One of the problems with Custom House is the likely repairing obligations/cost considerations with a listed building which would limit tenant demand/attraction if it were on a full repairing basis. We would be concerned that without the prospect of a reasonable tenant covenant the cost of refurbishing the building would create financial viability concerns.

Gravesend town centre has been subject to redevelopment proposals for a number of years. The Borough Council have recently been working with Reef Group to move forward the regeneration of the St George's Centre and the Eastern and Western Quarters in Gravesend and it is likely



that this, should it proceed, will include a small element of B1a office accommodation which would meet future anticipated needs for smaller scale modern office accommodation.

In addition to the above mentioned factors, the most recent event affecting office demand has undoubtedly been Covid-19. The recent lock downs may have seen a sea change in how companies operate with more staff working from home. The demand for both leases and sales of office spaces has plummeted and it is expected this trend will continue.

Marketing Overview

The building has been offered both on a leasehold and a freehold basis. The property has been initially marketed to let , but there has been no interest for the whole building on a leasehold basis, this is been due to the dated specification of the buildings with cellular office suites where occupiers now require open floors. Whilst there were few enquiries for smaller sections of Custom House (see the Enquiries Log in the Appendix), the interested parties haven't taken it any further , predominantly due to the condition, layout and the fact that more suitable accommodation was available elsewhere. The property was then marketed for sale since December 2019. Since then the majority of the requirements have been for residential re-development due to the limited demand from the office market exasperated by Brexit and the lock down/ Pandemic as mentioned above.

The property particulars including details on terms have been sent via a targeted campaign to registered users who have previously expressed interest in similar properties within the Caxtons database, with the total number of 39 parties being contacted- these also included companies looking for leasehold/ freehold office / business space in North Kent /Gravesend areas. The enquiries log within the Appendix details parties interested in this building and shows that there was very little serious appetite for it's existing use.

Following the decrease in enquiries during the summer of 2020 (mainly caused by the pandemic and overall uncertainty in the market), the campaign has been refreshed by re-sending property particulars to registered users and by contacting parties who were previously interested in similar properties. The listing has been also added to the Realla platform, which consolidates entire commercial property market in the UK and enables a user to see all properties listed for sale or to rent from all commercial agents. In addition to this platform , the marketing details have also been distributed via Propertylink Estates Gazette website, a leading commercial property online marketplace- this included an 'email alert' to all registered users who were searching for a commercial property in Gravesend and surrounding areas. We took this step to gain maximum exposure and reach all potential purchasers given the drop in enquiries. However , the enquiries still plummeted substantially towards the end of the year, especially following the second national lockdown in early November.

Further details of the marketing campaign are outlined in the sections below.



Current Valuation

The property has been marketed throughout the period at offers in the order of £1.3 m. The offers received for residential re-development were all around this figure both conditional and unconditional and all except one was for redevelopment as detailed in the enquiries log .

The nearest comparable property is Cox House, The Terrace located on the opposite side of the road. This site has been sold with the benefit of planning permission to convert to residential, including a new build element. The building was similar in age comprising 9207 sq. ft. on a site of 0.44 acres. We understand the building sold for **£130 per sq. ft.** Other examples of similar grade 2 listed office buildings sold recently include 6 Berkley Crescent, Gravesend (listed vacant office building sold at **£176 per sq. ft.**) and 197 Parrock Street, Gravesend (listed vacant office building sold at **£170 per sq. ft.**)

Therefore, the value of Custom House, at £1.3m (**approx. £50 per sq. ft.**) represented an attractive price point given the local evidence/ local market values.

Notwithstanding the above, the guide price has been reduced to £1.2m via the online portals in order to generate further interest (see the Appendix). However this strategy has still failed to attract any serious interest in the building for it's current use as can be seen in the enquiries log within the Appendix. It is our belief that the main reason for this has been the impact of the Pandemic – with most companies switching to a survival mode and if anything reducing their current office space.

Marketing Activities

The extensive marketing campaign included various channels, both online and offline, in order to reach potential purchasers and tenants. This also included mailing the brochure to our in house list of applicants who have registered for commercial buildings, as well as contacting prospects via phone and email.

Property Marketing Details

For Sale Particulars

Site 'For Sale' and 'To Let' Signage' –

Site signage has been installed in a prominent position facing out onto the Terrace. Photographic evidence of signage as installed can be found in the Appendix- for To Let and For Sale

Website Portals

Right Move Commercial



Caxton's Web Site

Estate Agents Clearing House

Locate in Kent's Web site

Realla. Platform

Gravesham Commercial premises website – the website was down at the time of writing this report (see further details in the Appendix)

Propertylink Estates Gazette

Advertising Publications

As suggested by Gravesham's Appendix 5 document in the Local Plan, The property particulars were advertised in the South East Business Magazine at ¼ page each , as shown in the Appendix. This magazine is distributed to directors / business owners / senior managers etc, across the south east, and sent to a wider online database of registered users.

Feedback – Collation Feedback Received

37 enquiries in total.

Most of enquiries were from residential developers looking to convert into residential use. Out of the 37 enquiries, there were approximately 8 enquiries which would have wanted to use the premises for it's existing use as offices- the parties included serviced offices company, publishing company, marketing agency and shipping and transportation company. Out of these 8 enquiries only 1 resulted in a site visit while the others withdrew their interest predominantly because of the condition, more suitable availability elsewhere, it's listed status, and therefore investment required to modernize the property.

Out of the 5 offers received on the property following viewing days and a date to submit offers, 4 of these offers were for residential development. Only one offer, made by a logistics/ transportation company, has been made for B1 use ,however this offer has been rejected due to being too low and later the company decided to withdraw their interest from this property (not giving any specific reason, but assuming due to the market uncertainty).

We have also received an initial enquiries from a day nursery as well as from a dental laboratory business. Both of these stated the amount of work/ investment required and unsuitable layout as reasons for not pursuing this site any further.



General Feedback received

During the marketing period we have tried to collect as much feedback as possible from potential occupiers who were looking to use the premises for its existing use as B1 offices. The below list offers key reasons mentioned by businesses who enquired and /or visited the site but didn't take it any further:

- Overall layout / circulation
- Cost of bringing the property to modern standards
- Ongoing maintenance / additional cost given it's listed status
- Property has been shown to be too large and expensive for any one occupier
- Uncertain economic environment due to the Pandemic

Conclusions

This document has been conducted according to the commercial marketing best practise and in line with the Core Strategy Policy CS07. The key objective of this report was to demonstrate whether there is reasonable prospect of the property known as Custom House being used for it's permitted B1 Use.

Although the building has been used by HMRC as offices (B1 use) for a number of years, we remain highly sceptical that it represents a commercially viable office offer for locational, rent and cost issues.

Other than for historical reasons it is not, in our view, either a building or a location where anybody would invest significant capital to attempt to create an office based product having regard to prevailing rents and the availability of stock elsewhere.

Our view is that it would require substantial capital expenditure to bring it up to a reasonable operational standard including the need to be DDA compliant. As a result, we have significant reservations over the layout of the building as it currently stands which falls well short of what most occupiers would require. Furthermore having regard to its listed status we anticipate that some of the necessary alterations, including the provision of required services, may be unacceptable in terms of heritage impact.

In addition to the above, the Pandemic has no doubt changed the way people work which has had negative effect on the office market in general and we believe it's one of the keys reasons why there was so little serious interest from office space seeking organizations as can be seen in the Enquiries Log.

As such, according to Paragraph 5.1.34 of Policy CS07 Economy, Employment and Skills of the Local Core Strategy 2014 this report provides sufficient evidence to demonstrate that :



The existing premises are no longer suited for employment purposes or are incapable of being made suitable at reasonable cost...

And that it has been shown that there is no demand for them through an appropriate marketing exercise carried out in accordance with the Council guidance (appendix 5).

Included in Appendices

- Enquires Log (including details of any offers received)
- Site signage (For Sale / To Let)
- Website marketing
- Print advertising
- Agent instruction email/letter
- Agent brochure sent to all parties who enquired

Yours sincerely,

Mark Coxon
Director - Business Space M25 East