

**LAND AT CORNER OF WEIR
ROAD/DURNSFORD ROAD –
HOMEBASE AND VANTAGE
HOUSE, WIMBLEDON,
LONDON, SW19 8UG**

**LOCAL DEVELOPMENT
FRAMEWORK CALL FOR
SITES – SITES AND POLICIES
DPD**

**REPRESENTATIONS ON
BEHALF OF HSBC BANK
PENSION TRUST (UK) LTD**

| CONTENTS | PAGE |
|---|-------------|
| 1. Introduction | 1 |
| 2. Site and Surrounding Area | 2 |
| 3. Planning History | 5 |
| 4. Planning Policy Context | 7 |
| 5. Justification for Removing Site from Strategic Industrial Location (SIL) | 11 |
| 6. Summary and Conclusions | 14 |

APPENDICES

Appendix 1 - Location Plan

Appendix 2 - Commercial Office Market Report



Bourne House
475 Godstone Road
Caterham
Surrey
CR3 0BL

Fax: 01883 621 043

1.0 INTRODUCTION

- 1.1 Blue Sky Planning Limited act on behalf of Lasalle Investment Management, the Fund Managers for HSBC Bank Pension Trust (UK) Ltd, the freehold owners of Vantage House and the Homebase store at the junction of Durnsford Road/Weir Road, Wimbledon, SW19 8UG.
- 1.2 In March 2012 representations were submitted to the London Borough of Merton "Call for Sites Consultation" Sites and Policies Development Plan Document (DPD). The representations specifically sought to remove the site from the Strategic Industrial Location (SIL) on the grounds that the site does not portray the characteristics of a SIL and does not therefore contribute to the existing "reservoir" of SIL designations in the wider industrial area. Following submission of the representations, the site is being considered as an additional potential site for redevelopment to be brought forward within the next 11 years. The subject site is identified as Site Proposal 71 in the Council's Sites and Policies Development Plan Document which is currently subject to public consultation.
- 1.3 The purpose of this report is to substantiate on our previous representations and also to provide up-to-date marketing evidence that the site, in particular Vantage House, is not fit for purpose for continued office use and that the site in its entirety should be removed from the SIL designation to allow the site to be redeveloped for alternative uses in accordance with the Government's objectives of securing sustainable economic growth.

2.0 SITE AND SURROUNDING AREA

- 2.1 The site is located at the southern end of Durnsford Road industrial area within a mixed commercial and residential area. Notwithstanding the sites designation within a wider industrial area it is considered that the site portrays different physical characteristics than the wider industrial area to the north. The site is located in a predominantly residential area to the south-east and south-west with industrial uses to the north. There is a waste transfer facility located immediately to the north-east of the site.
- 2.2 The surrounding residential development comprises two storey terraced residential properties to the south-east of the site and the Batsford House development, which comprises a relatively recent development of between 5 and 7 storeys in height and comprising approximately 350 residential units. We understand that the B1 units at ground floor level have not been let and these units are currently boarded up.
- 2.3 There is an established travellers settlement consisting of 15 static/mobile home located off Brickville Road to the east of the site.
- 2.4 The area to the north/north-west of the site is industrial in nature.

Site Description

- 2.5 The site extends to approximately 1.69ha and comprises a Homebase DIY store together with a garden centre located to the north-east of the site; a four storey office building known as Vantage House constructed in the 1970's, located to the south-east of the site and extensive car parking for customers of the Homebase store and Vantage House. In addition there are two substantial electricity substations located to the south and east of the site.
- 2.6 A site location plan identifying the subject site is attached in Appendix 1.
- 2.7 It is relevant to note that having regard to the existing footprint of the buildings within the curtilage of the site that the density is considered to be very low at approximately 32%, which indicates that the site would benefit from further intensification of development and does not meet its full potential.
- 2.8 With regard to the occupational use of the site and physical characteristics of the buildings, we would comment as follows:

Vantage House comprises a purpose-built office block constructed in the early 1970's, extending to approximately 3,716m² (40,000 sq ft) above undercroft car parking. The premises are currently 50% vacant, although the first and second floors have been refurbished in an attempt to attract occupiers, but with limited success. The ground and third floors have not been refurbished although the ground floor reception has been refurbished

With regard to the physical nature of the existing office building it is considered that it is economically obsolete. This is on the basis of the following factors:

- The first and third floors do not have functional air conditioning units;
 - The building has asbestos issues to resolve;
 - The lifts need replacing;
 - Given the age and style of construction, the building is expensive to run and suffers from poor sustainability issues;
 - The M & E services are in need of replacement;
 - All of the windows need replacing;
 - The floor plates do not meet modern standards;
 - The building does not offer an appropriate image for modern occupiers.
- Homebase comprises a single storey building extending to 3,188m² and represents a typical first generation retail warehouse with external garden centre and parking;
 - There are two primary and secondary electricity substations within the site which would be extremely expensive to relocate in order to facilitate wholesale redevelopment of the site.

Moreover the locational characteristics of the immediate surrounding area is not attractive to modern day office occupiers. In particular the surrounding land uses which comprise a waste transfer facility, travellers settlement, industrial area to the north and residential areas to the south and south west coupled with a lack of comprehensive transport infrastructure have resulted in very limited demand for offices in this location. In addition there is a lack of local facilities in the immediate area including shops, banks, restaurants and other leisure facilities.

As a result the physical location of the site has attributed to the fact that Vantage House is unviable for continued office use.

Batsford House/Reed House

- 2.9 The recently completed residential development bounded by Plough Lane and Durnsford Road comprises a residential development extending from 3 to 7 storeys in height above covered car parking providing 579 flats together with A3 use, B1 business use and D1 (Healthcare use) including 556 car parking spaces. We understand that the B1 units at ground floor level have not been let and these units are currently boarded up.

Waste Transfer Station

- 2.10 It is relevant to note that the existing waste transfer recycling facility located on the eastern site of Weir Road (also within Durnsford Road industrial estate) was granted planning permission in July 2011 for redevelopment of the existing transfer station to form an enclosed facility. The development proposals would be to provide an enclosed waste recycling facility with a main building of 66m by 24m and with a height of 13.4m.

Summary of Site Characteristics

- 2.11 In summary the subject site is not in industrial use on the basis that it has been occupied for retail purposes since 1987 and a purpose built office building since 1971 together with two large electricity substations.

3.0 PLANNING HISTORY

3.1 This section summarises the relevant planning history.

Vantage House

3.2 It is understood that Vantage House was constructed as a purpose built office building in the 1970s and there have been a number of subsequent minor applications relating to the building.

3.3 The earliest Council records indicate that planning permission was granted for the erection of new London Electricity Board District Offices, including workshops, transport maintenance, stores and canteen (involving the conversion of the existing office to industrial staff depot offices) on 30 August 1973 (RPA Ref: MER17/73).

3.4 On 9 January 1976 planning permission was granted for *“alteration of the office building including erection of a three storey extension to provide access staircase at LEB premises (LPA Ref: MER705/75)”*.

3.5 Planning permission was granted on 8 December 2003 for continued use of part of the ground floor as offices in connection with a chauffeur business.

3.6 A number of prior approval applications have been granted with the installations of aerials on the roof of the building.

Homebase

3.7 It is understood that the Homebase was constructed under planning permission 87/P0762 for the erection of a retail warehouse building (3,300sqm) with an ancillary garden centre, including formation of a new vehicular access and provision of 284 car parking spaces.

3.8 The Committee Report relating to this application states that the site was vacated by the LEB towards the end of 1984 and has remained empty and unused since that time. The scheme involves the removal of all existing buildings, with the exception of Wandle House, a large office building which will be retained in its present use and provide with its own self-contained parking arrangements.

-
- 3.9 The Committee Report states that the application was the subject of a report to Committee in April 1986 with an officer recommendation for approval. However, members resolved to overturn the recommendation and planning permission was refused on grounds of loss of potential industrial land, conflict within the Borough Plan shopping policies and adverse traffic and environmental conditions which would result from the development. The applicants appealed against the Council's refusal and the appeal was allowed in May 1987 although the appeal proposal was not implemented.
- 3.10 The question of the loss of land designated for industrial purposes was addressed by the Inspector and he was unable to accept that in light of the industrial land and floor space currently available within the borough, such a loss would constitute a sufficiently strong reason to reject the scheme.
- 3.11 In light of the summary of the planning history it is evident that there have not been any recent planning permissions for industrial uses on the subject site.

4.0 PLANNING POLICY CONTEXT

National Planning Policy Framework (NPPF) March 2012

- 4.1 The NPPF was published on 27 March 2012 and provides new consolidated national planning guidance which effectively supersedes the previous planning policy statements and planning policy guidance documents.
- 4.2 The NPPF establishes a presumption in favour of sustainable development essential to the planning process both in terms of plan making and decision taking (paragraph 14); these dimensions to sustainable development are;
- Economic:** contributing to building a strong, responsive and competitive economy;
- Social:** supporting, strong, vibrant and healthy communities;
- Environmental:** contributing to protecting and enhancing natural built and historic environs (paragraph 7)
- 4.3 The NPPF confirms the Government's commitment to secure an economic growth in order to create jobs and prosperity and ensuring that the planning system does everything it can to support sustainable economic growth. Significant weight should be placed on the need to support economic growth through the planning system.
- 4.4 Paragraph 20 states that to help achieve economic growth, local Planning Authorities should proactively plan to meet development needs of businesses and support an economy fit for the 21st century.
- 4.5 Paragraph 21 states that investment in business should not be overburden by the requirements of planning policy expectations and that planning policies should recognise and seek to address potential barriers to investment. Paragraph 21 states that investment in business should not be overburden by the requirements of planning policy expectations.
- 4.6 Paragraph 22 states that ***planning policy should avoid the long term protection of sites allocated for employment uses where there is no reasonable prospect of the site being used for that purpose. Where there is no reasonable prospect of a site being used for the allocated employment use applications for alternative uses of buildings should be treated on the merits having regard to market signals and the relative need for different land uses to support sustainable local communities.***(our emphises).

The London Plan (July 2011)

- 4.7 The site forms part of the wider North Wimbledon SIL as defined in the London Plan. Policy 2.17 seeks to promote, manage more appropriate, protect the SIL's as London's main "reservoirs" of industrial and related capacity, including general light industrial uses, logistics, waste management and environmental industries, utilities, wholesale market and some transport functions. It stated that the planning decisions in SIL's should be refused unless, inter alia, development proposals within or adjacent to SIL's should not compromise the integrity of effectiveness of these locations in accompanying industrial type activities.
- 4.8 SIL's comprise preferred industrial locations and industrial business parks which have been identified to ensure that London provides sufficient quality of sites in appropriate locations and to meet the general business, industrial, warehousing and waste management needs.

Draft SPG Land for Industry and Transport (2012)

- 4.9 The draft SPG sets out proposed guidance to supplement policies in the London Plan relating to land for industrial type activities and transport. The SPG provides advice on how to implement policies, in particular Policy 2.17 on Strategic Industrial Locations, and Policy 4.4 Managing Industrial Land and Premises.
- 4.10 The SPG states that SIL's are a resource which must be sustained as London's main reservoir of industrial capacity, but nevertheless must be subject to periodic review through the London Plan and consolidated where appropriate, to reconcile demand and supply. (Paragraph 2.3 Part I).
- 4.11 It states that London Plan Policy 4.4 supports the Plan, monitor and manage approach to releasing surplus industrial land so that it can contribute to other strategic and local planning objectives, especially housing. Based upon research available at the time, the Plan indicates that industrial land use change should be monitored against benchmarks based upon an average, London annual net release of 41 ha (2006-2026). The London Plan illustrates the broad spatial distribution of this release by categories in boroughs into groups according to whether they take a restricted, limited or managed approach to transferring land to other uses.
- 4.12 Whilst the London Borough of Merton is categorised as "*restricted transfer*", whereby boroughs in this category typically have low levels of industrial land relative to demand

(particularly for waste management or land for logistics) and/or low proportions of industrial land within the SIL framework. The SPG states that this does not preclude the possibility of small scale release where boroughs have made adequate provision for industrial land in their DPD's, in particular for waste management and logistics uses.

- 4.13 The SPG states that the approach taken to the transfer of surplus industrial lands through the Plan led transfer of sites through site allocations in DPD's and an allowance for the release of smaller, non-designated sites needs to be carefully managed through the development management process.
- 4.14 Policy SPG 3 relates to industrial capacity and the plan, monitor and manage approach. Part ix) states that boroughs should ensure that sites released from industrial use meet strategic as well as local needs. The priority should be to meet the need for housing, including affordable housing, and appropriate mixed development. Increasing capacity for social infrastructure and town centre related development will also be important in appropriate locations.

Core Strategy

- 4.15 The Merton Core Strategy was adopted in July 2011. Policy CS 12 relates to economic development and Part A supports the development of a diverse local economic base by encouraging the increased provision of the overall number and range of jobs, particularly in commercial business sectors (including the provision of business, leisure, retail, creative, cultural and "green" jobs).
- 4.16 Part B of the policy encourages and supports the provision of employment that results in higher levels of productivity, gross values added and hence remuneration.
- 4.17 Part C seeks to ensure that there is an adequate supply of viable and appropriate sites and premises for employment use in locations which minimise the need for travel by private car whilst meeting the needs of businesses but, inter alia:

Protecting and managing designated strategic industrial locations and maintaining and improving locally significant industrial sites; ensure that they contribute towards business, industrial, storage and distribution functions. It is important to note that the subject site does not and has not contributed towards the business, industrial and storage distribution functions.

-
- 4.18 The delivery and monitoring parts of Policy CS 12 states that redevelopment of employment sites for any other uses other than B1(b), B1 (c), B2 and B8 will be subject to the adoption of a planning brief as a supplementary planning document to Merton's Core Strategy. The SPD will take a co-ordinated approach to cover the whole site and will include details of how the proposals will meet Merton's Core Strategy Policy CS12 and Merton's economic development strategy, proposed uses, design, access and egress, viability of proposals and other considerations specific to each site.
- 4.19 We note through the delivery and monitoring section of the policy that redevelopment of SIL's for any of these B1 (b), B1(c), B2 and B8 will be subject to the adoption of a planning brief as a supplementary planning document to amend the Core Strategy. Again we would reiterate that the site is not in use for any of the above uses and does not comply with the SIL criteria.
- 4.20 The site does not function as an industrial site and it is unlikely that an industrial use will come forward for this site in the future. In addition, there is currently an oversupply of industrial land in the Borough.

5.0 JUSTIFICATION FOR REMOVING SITE FROM THE STRATEGIC INDUSTRIAL LOCATION (SIL)

Physical Characteristics

- 5.1 The existing uses on the site are offices and retail use in addition to the electricity substations. As such there are no industrial uses which prevail on this site. It is therefore considered that the site itself does not contribute to the “reservoir” of industrial uses. In addition the site is situated on the edge of a strategic industrial location and surrounded by a mix of residential and commercial uses.
- 5.2 On the basis that it is not proposed to de-allocate the SIL in its entirety, we do not consider that by releasing part of the SIL that the existing “reservoir” of SIL’s will not be compromised. We consider that regeneration benefits will be maximised if the site is released from its SIL designation and that it could be redeveloped for alternative uses. Moreover, on the basis that this site has not been in industrial use for at least 30 years, we do not consider that the release of this site will displace any industrial uses.
- 5.3 The London Plan emphasises quality and sites that are fit for purpose and it is considered that the existing uses on the site do not portray such qualities.
- 5.4 We do not consider that the de-designation of this part of the industrial allocation would alter the industrial character of the area or inhibit the operations of nearby industrial uses. Given that the site lies on the southern tip of the SIL the redevelopment of the site for alternative uses will not prohibit or compromise the wider area of the SIL to the north of the subject site. The SIL to the north of the subject site will be able to function in its entirety with a defensible southern boundary with the release of the subject site.

Marketing of the Site

- 5.5 The Commercial Office Market Report prepared by B & P Paribas Real Estate provides a report on the commercial office market in Wimbledon Park, SW19 and the wider south of London area and also provides their professional views on the limitations of Vantage House for continued office occupation and the unsuitability of its location for office occupiers. Their report is contained in Appendix 2. It should be noted that just less than 50% of the property is vacant which matches the vacancy dating back to 2010. The report highlights particular building issues including that the

comfort cooling system is at the end of its life and would need to be replaced. In addition much of the general fabric of the building is very tired and dated and would need to be comprehensively updated. It further highlights that given that the building was constructed in the mid 1970's the external appearance of the building is poor and does not convey the corporate images that most relocating occupiers are looking to achieve. The building also lacks a prominent entrance, with existing access points being to the south and east of the site.

- 5.6 We have been advised that Vantage House has been marketed over many years and attach a copy of the current marketing details. Vantage House has been on the market since the mid 1990's. It is being marketed by Nick Coughlan of Coughlan Evans (on a continual basis for the last 15 years), Tim Wilkinson of Hargreaves Gynnell (since 2008) and Jones Lang Lasalle (since August 2009). We consider that this cross section of letting agents is entirely appropriate for a property such as Vantage House since it incorporates specialists in the office sector, H&G, specialists in South West London and an international firm, Jones Lang Lasalle.
- 5.7 Although lettings have occurred (Adare Intellidata Ltd downsizing from the third floor to part of the ground floor and United Response taking the second floor), they are on uneconomic terms and have only been achieved to help mitigate the outgoings (such as empty rates).
- 5.8 The existence of these lettings does not show that the property has a market for which there is an unfulfilled need. Clearly the building has been properly exposed to the market and this has been demonstrated over a period of 15 years that it is not required to meet the needs of occupiers in the area.
- 5.9 The Homebase unit is in use as a retail warehouse and has not, therefore, been marketed.
- 5.10 Durnsford Road A Industrial Area, extends to 2.26ha and Durnsford Road B Industrial Area extends to 18.77 ha. The subject site falls within Durnsford Road B. Given the extent of the combined industrial areas, it is important to note that removing the subject site from SIL's would ensure that some 21.03 ha is designated as the Durnsford Road SIL. As such a significant part of the SIL to the north would remain in industrial activity and removing the subject site from the SIL would not alter the industrial character of the area or inhibit operations of the nearby industrial uses. The site benefits from its own access and egress and could be redeveloped without compromising the wider SIL to the north.

- 5.11 The Marketing Report confirms that the site has been adequately marketed through a commercial agent, at a price that reflects Market Value, and that there is no realistic prospect of reuse of the premises for office use.
- 5.12 With regard to the physical constraints of the site, there are two large electricity substations that serve a large part of South West London. We understand that the relocation of these services will amount to substantial and abnormal costs in the region of several million pounds. Therefore, the redevelopment of the site, including the substations would be unviable.
- 5.13 It is relevant to note that the Council have agreed to consider the industrial area at Shannon Corner (B&Q, Krispy Kreme Donuts etc, as having local, not strategic protection for industrial and warehouse uses because the scale and level of non-industrial uses have increased considerably over the last 10 years, including granting planning permission for B&Q and 51 apartments. Similarly the subject site does not portray any industrial characteristics and is surrounded by residential uses on a number of its boundaries.

6.0 SUMMARY AND CONCLUSIONS

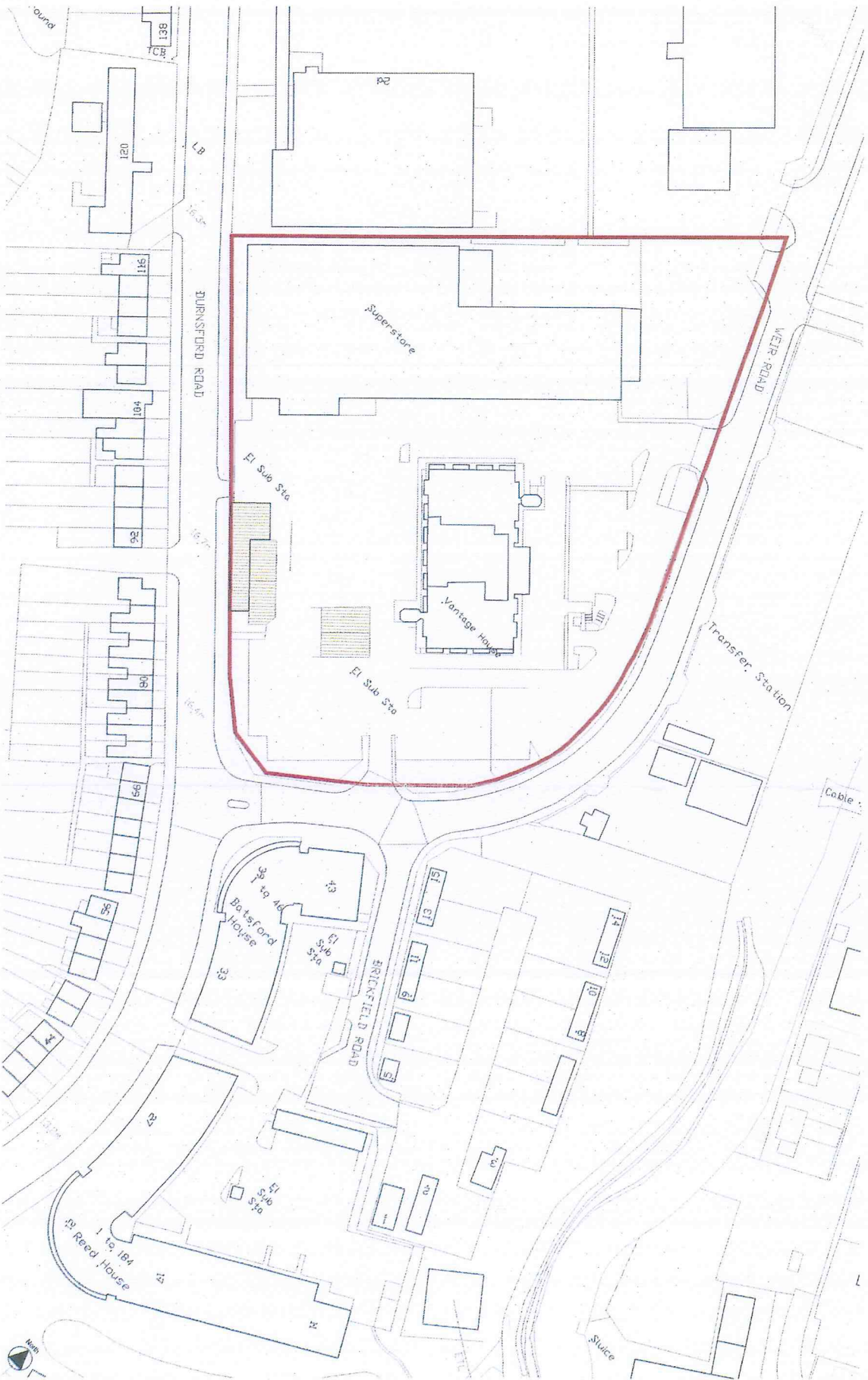
- 6.1 Notwithstanding the subject site's designation within the North Wimbledon SIL, the site has been occupied for retail purposes since 1987 and as a purpose-built office since 1971, together with two large electricity substations. Therefore, the site does not contribute to the existing "reservoir" of industrial land or contribute to the wider SIL and by definition the site is already compromised as a SIL. In addition the site is located on the southern edge of the SIL and only adjoins industrial development on its northern boundary, therefore removing the subject site from part of the wider SIL to the north will not prejudice the continued operation of the North Wimbledon SIL.
- 6.2 Despite comprehensive marketing at a national and local level since the 1990's, Vantage House is approximately 50% vacant. Occasional lettings on uneconomic terms do not demonstrate a fulfilled need for such accommodation in this area.
- 6.3 The Market Report by B & P Paribas demonstrates that Vantage House could not achieve Market Rental due to its age, character, poor condition of the accommodation, its location next to the industrial estate and residential areas. As such Vantage House is economically obsolete and will only provide for limited job opportunities, which is contrary to the Government's policy on sustainable economic growth.
- 6.4 In addition to the poor physical condition of the building, the locational characteristics of the immediate surrounding area is not attractive to modern day office occupiers. In particular the surrounding land uses which comprise a waste transfer facility, travellers settlement, industrial area to the north and residential areas to the south and south west, coupled with a lack of comprehensive transport infrastructure have resulted in very limited demand for offices in this location. Moreover, there is a lack of amenities and local facilities in the immediate surrounding area to attract modern day office occupiers. For example the local area lacks shops, restaurants, banks, and other leisure facilities which office tenants require. As a result the physical location of the site has attributed to the fact that Vantage House is unviable for continued office use.
- 6.5 It is considered that the retention of this site as a SIL will compromise future opportunities to provide sustainable economic growth.
- 6.6 In terms of the site's suitability for waste recycling it is relevant to note that the adjoining site is currently in use as a waste transfer station and planning permission was recently granted for redevelopment of the existing waste facility to form an

enclosed waste recycling facility to screen the external area. It is unlikely that there will be demand for an additional site in such close proximity.

- 6.7 It is considered that some transfer of industrial land to alternative uses should be considered on a site-by-site basis even in the London Borough of Merton which is described as a "restrictive" category. The subject site does not currently contribute to the industrial market and is unlikely to do so in the future. The promotion of mixed use development of the site would contribute to the Government's policies for sustainable economic growth. Moreover we would reiterate that the NPPF states that planning policies should avoid long term protection of sites allocated for employment use where there is no reasonable prospect of the site being used for that purpose. Where there is no reasonable prospect of a site being used in alternative uses the buildings should be treated on their merits having regarded to market signals and the relative need for different land uses to support sustainable local communities.
- 6.8 We consider that we have submitted robust documentary evidence that the subject site does not contribute to the existing "reservoir" of strategic industrial land it should therefore be removed from the SIL designation.

APPENDIX 1

DURNSFORD ROAD, WIMBLEDON



APPENDIX 2



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world

Commercial Office Market Report: Wimbledon Park & Wider South West London

**Vantage House, 1 Weir Road,
Wimbledon Park, London, SW19 8UX**

25 July 2012

INTRODUCTION

We have been invited by LaSalle Investment Management, the owner of **Vantage House**, to provide a report on the commercial office market in Wimbledon Park, London SW19 and the wider South West ("SW") London area. We have also interpreted our findings to present our views on the limitations of **Vantage House** for continued office occupation and the unsuitability of its location for office occupiers.

BNP Paribas Real Estate ("BNPPRE") has been managing, brokering and advising on commercial property in the SW London market for a considerable number of years. Over this time, it has acquired a comprehensive knowledge of the local office market (see **APPENDIX 1**).

LOCATION

Vantage House is positioned at the junction of Durnsford Road and Weir Road just to the south of Wimbledon Park. It is adjacent to a Homebase retail Warehouse on the edge of Summerstown and is situated to the West of Wimbledon Dog Track and to the east of the former Wimbledon Football Ground at Plough Lane which has been recently redeveloped into 570 flats along with some A3 and B1 uses.

Wimbledon Park (District Line) is the closest underground station to the premises located 0.7 miles away providing access into Central London via Earls Court. Haydons Road (mainline station) is 0.5 miles away and provides services into Wimbledon and London Bridge and out to the national rail network.

A number of bus routes service the area including the 156 which links central Wimbledon with Vauxhall via Clapham Junction.

The location is predominantly industrial in nature to the north and north west and residential to the south with the adjoining Weir Road part of Summerstown, providing Wimbledon's main industrial area.

There is a limited range of local amenities situated around 5 minutes walk from the property. The nearest major retail location is central Wimbledon, around a 7 minutes drive or 10 minute bus journey away.

Wimbledon Park is not an office location of any note or prominence. Accordingly, there are only a handful of office occupiers with the majority of businesses being of an industrial nature.

Despite being only 1.3 miles to the South West, Central Wimbledon is a far stronger retail and business location, providing the vast majority of Wimbledon's office and retail amenities. The area benefits from vastly superior transport links with excellent access provided by the mainline and underground stations. The town centre also provides a strong retail offering with a host of national retailers and the Centre Court Shopping Centre.

The next major centre is Kingston-upon-Thames, some 7 miles to the west, has similar suburban qualities as Wimbledon. Of these centres, Central Wimbledon has the greater ability to attract larger, national companies owing to the draw of multiple retail facilities, a comprehensive transport infrastructure and a spacious, varied and extensive residential environment.

Wimbledon Park's main competing office markets are for local occupiers and comprise Colliers Wood, Merton, New Malden and Raynes Park. New Malden has a far larger and more established tenant base whilst Raynes Park has a stronger rail link. Colliers Wood and Merton are poor office locations with low levels of office stock but are arguably more established office locations than Wimbledon Park.

VANTAGE HOUSE

Vantage House is a purpose built office building which was built in the mid 1970's and substantially refurbished in the late 1980's.

The property is constructed with a concrete frame with brick and curtain walling elevations under a flat roof. of steel construction and was built in the mid 1980s.

The building provides a mix of undercroft and surface car parking with a total of 109 parking spaces.

The building is arranged over the basement, ground and three upper floors and comprises the following net internal area:

| | | |
|--------------|---------------|--------------|
| Third | 9,744 | sq ft |
| Second | 9,709 | sq ft |
| First | 9,410 | sq ft |
| Ground | 8,923 | sq ft |
| Reception | 842 | sq ft |
| Total | 38,628 | sq ft |

There is also a basement area of 1,296 sq ft.

A tenancy schedule is provided in **Appendix 3**. 16,998 sq ft, just less than 50% of the property is currently vacant with much of the vacancy dating back to early 2010.

The office accommodation provides the following specification:

- Comfort cooling
- Raised floors
- 2 X 7 person passenger lifts
- Suspended ceilings with recessed lighting
- Male/female WC's on each floor
- Kitchen & Shower facility

BUILDING ISSUES

A major issue is that the comfort cooling system is at the end of its life and will need to be replaced in due course. In addition much of the general fabric of the building is very tired and dated and will need to be comprehensively updated.

Other problems include the fact that given the mid 1970's construction of the building, the external appearance is poor and does not convey the corporate image that most relocating occupiers look to achieve. The building also lacks a prominent entrance, with the existing access points being to the south and east of the building and lacking any prominence.

These issues would clearly be too costly to address. The landlord could look at undertaking an internal refurbishment of **Vantage House** when vacant possession is provided although because of the nature of the location, we consider this also to be commercially unviable. In our experience, very few office occupiers choose to locate in a predominantly industrial area especially when they have considerable choice in other more established markets.

The mathematics of a major refurbishment could never be justified because the quality of the location provides a rental ceiling which an occupier is unlikely to exceed. We are of the opinion that with a comprehensive refurbishment, an occupier would not pay a rent of more than £12.00 per sq ft. There would be very significant void periods which are demonstrated by much of the vacant space being empty for nearly three years.

As the existing tenancy schedule demonstrates, the building would need to be re-let in floors or part floors adding to the overall void period. An ingoing occupier is likely to require a minimum of 18 months rent free to take no better than a five year term certain at best.

Furthermore, the declining demand for tertiary office locations like **Vantage House** arise from the protracted nature of the prevailing economic depression, 'hot-desking' and the increasing propensity of office users to work at home via the internet.

These factors will combine to render **Vantage House** all but obsolete as a suitable office. In summary, trying to sustain the office user past the last lease expiry is neither a realistic nor sensible option.

In the meantime, with the building continuing to age and with much of its plant, machinery and equipment reaching the end of its economic life, the service charge will increase dramatically as maintenance of the building's infrastructure becomes more and more frequent. Two of the existing four tenants in building already have service charge caps with their current levels of service charge being close to the level of rent they are paying. This rising cost to prospective occupiers will make the letting of the space even more difficult and will lead to **Vantage House** becoming progressively more uncompetitive with the passage of time.

OFFICE MARKETING TO DATE

Hargreaves Newberry Gyngell and Coughlan Evans were jointly instructed as letting agents in October 2008. Since the date of instruction, the property has been thoroughly exposed to the agency and occupier markets with the following initiatives being implemented:

1. The erection of joint letting boards on the exterior of the premises
2. Production of illustrated marketing particulars dated November 2008
3. In October 2009 Jones Lang LaSalle were jointly instructed with the existing agents.
4. In November 2009 an extensive mailing exercise was carried out, mailing 1,450 local occupiers and a new marketing brochure dated October 2009 was produced incorporating the all three agents' logo and a complete redesign.
5. At the same time a new bespoke website was produced for Vantage House which is still current - www.vantagehousesw18.co.uk.
6. On 25 May 2010 an advertisement was placed in Third Sector Magazine which is a sector targeting the charity occupiers. The advertisement cost £1,000 plus VAT.
7. In September 2010 Hanover Green were jointly instructed with HNG and Jones Lang LaSalle and a new marketing brochure was produced, dated September 2010.
8. In January 2011 a direct mailing campaign was carried out by Direct Approach to Charities and Housing Associations total 800 occupiers.
9. In April 2011 Jones Lang LaSalle and Hanover Green were dis-instructed and HNG and Houston Lawrence were appointed as joint sole agents and a new marketing brochure was produced.
10. In May 2011 a direct mailing campaign was carried out to 918 companies and the agent's "To Let" boards were amended to reflect the new agency teams.

Throughout the marketing the marketing particulars have been regularly distributed round the Estate Agents Clearing House which distributes to approximately 550 firms of surveyors throughout London. In addition the property is listed on Focus / Co-Star, EG Property Link, Commercial Property Database and South London Business.

The premises have undoubtedly been fully exposed to the open market.

Over the last few years a considerable amount of capital has been spent on the building including the following:-

- Refurbishment of both the 1st and 2nd floor office floors
- Refurbishment of the ground floor entrance reception
- Improved signage at the premises
- Works to the Mechanical and Electrical systems in the building

OFFICE LETTING MARKET OVERVIEW

2008 saw the start of what was and continues to be a chronic economic depression with confidence amongst the majority of office occupiers in South East England ("SEE") remaining very low. Occupiers continue to look to avoid the expense of relocating, preferring in many instances to re-gear their leases with their landlords. In turn, landlords have been willing to offer tenants unprecedented terms not to move, their 'generosity' motivated by their desperation to avoid the costs incurred by vacant space.

This has been evidenced at **Vantage House** with the few tenants that have taken space in the current ownership only being attracted by very concessionary lease terms. Average rents in the building equate to £8.50 per sq ft, 28% of the prime Wimbledon level.

The void costs of carrying vacant space in buildings like have **Vantage House** have also become punitive in the past 5 years with the levying by Central Government of 100% Uniform Business Rates for empty office space after a void period of 3 months' and the increasing costs of heating, security, insurance and cleaning even before recurrent repair and maintenance outgoings.

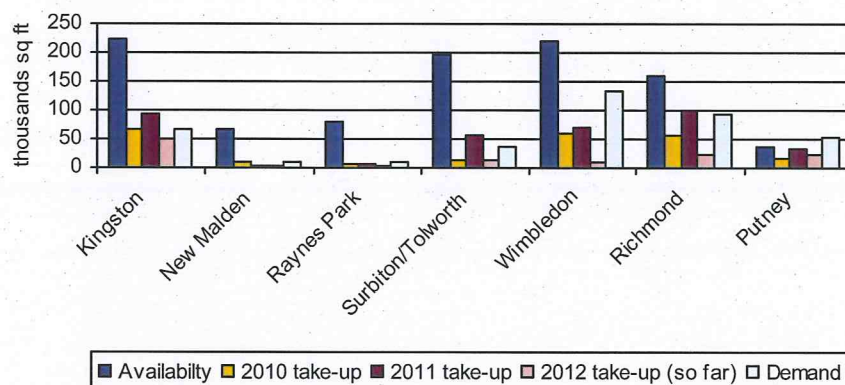
The SW London Office Market

The SW London office market extends to the primary markets of Richmond and Central Wimbledon, the secondary market of Kingston-upon-Thames and the tertiary locations of New Malden, Surbiton/Tolworth, Putney and Raynes Park. Although relatively well serviced by road links and local train services, the office market as a whole has historically under-performed the neighbouring West London market, which includes the more buoyant Chiswick and Hammersmith office markets.

The individual performance of each sub-market within the SW London office market is diverse. While the best performing office markets of Richmond and Wimbledon command headline rents in excess of £30.00/sq ft, the secondary and tertiary markets fail to achieve these levels with headline rents ranging from £8.00/sq ft to £24.00/sq ft.



The graph below demonstrates levels of supply compared to take-up in 2010, 2011 and to date in 2012, as well as current levels of demand:



source: BNPPRE/CoStar

* Availability & take-up data

Central Wimbledon can secure higher headline rents because of a stronger demand from prospective occupiers. This demand derives from Wimbledon's many advantageous features, which include its desirable town centre, excellent transport links (bus, tram and mainline and London Underground train services) and the availability of better quality office stock. As previously highlighted, central Wimbledon could not be more different to the semi industrial area that **Vantage House** is located in. Central Wimbledon boasts a low vacancy rate of just over 5%, which is well below the SEE average of 12%. Richmond, by comparison, is a much smaller office market, although, like Wimbledon, it benefits from a strong transport provision and a good supply of newer office stock. Its vacancy rate is estimated at just under 9%, which is also well below the SEE average.

The remaining five office locations are all secondary (1) and tertiary (4) in nature. They are characterised by an aging office stock, lower headline rental levels and a much poorer level of take-up, both in recent years and historically. All have suffered from a lack of investment as achievable rents and declining occupier demand render new office development financially unviable. With each of these markets being distinguishable by poor quality grade 'B' space, a major supply/demand imbalance has been created as occupiers seeking to relocate have selected grade 'A' quality space with minimum future running and service charge costs and in locations endowed with excellent infrastructure and amenities.

Wimbledon Park as an Office Location

Wimbledon Park does not comprise any office stock of note and **Vantage House** is the only office building of any significant scale. Despite parts of the Wimbledon office market being very strong, the Wimbledon Park area would not be considered an office market because of both its locational and tenant characteristics. As a consequence of poor demand, the only prospect a location like Wimbledon Park has of attracting occupiers is by offering very concessionary office deals as highlighted earlier in the report. Even this approach has not been particularly successful at **Vantage House** where the vacant space has been available for nearly 3 years.

The largest building currently available in the SW London office market is at 84-86 Bushey Road (Raynes Park). The building comprises 60,000 sq ft of low quality office space, which was vacated by Thales over 12 months ago and is still being actively marketed and vacant today. It is known that the landlord has commissioned a firm of surveyors to investigate the possibility of alternative planning uses, as to date the only interest has been away from the current office use. Another readily available building is in Surbiton, where 34,800 sq ft is being marketed at 1 The Crescent (formerly Catherine House). This property was constructed in the early 1980's and is located outside Surbiton Station. It was refurbished around two years ago and remains fully vacant.

The only other buildings of note are Abbott Court in New Malden. This 52,300 sq ft property is located outside Motspur Park Station and will be ready to occupy in May 2013 when current occupier Saipem vacate the premises and move to nearby Kingston. Whilst in Putney, 30,000 sq ft will become available to occupy at 88-90 Upper Richmond Road in December this year.

Even in the wider Wimbledon and South West London area, there has been a minimal level of letting activity in recent years. Generally, market activity has been confined to a handful of deals involving the letting of space of below 5,000 sq ft. These deals have typically occurred within the better of the poorly-specified office buildings, the majority of which have been vacant for lengthy periods of time. The following transactions below represent the key office lettings in the wider Wimbledon area since the start of 2011:

| Date | Address | Market | Size (sq ft) | Tenant | Rent £/per sq ft |
|----------|--|----------------|--------------|---------------------------------------|---|
| Apr 2012 | Part 1st floor, Wimbledon Bridge House | Wimbledon | 8,000 | Winshuttle | 25.50 with 22 months rent free on a lease until September 2014. |
| Apr 2012 | Dial House | Putney | 8,720 | Context World | 20.00 |
| Feb 2012 | Drapers Court | Kingston | 33,000 | Kingston College of Further Education | Freehold sale (undisclosed) |
| Dec 2011 | DST House | Surbiton | 23,630 | TUI | 22.50 |
| Oct 2011 | Part 2nd floor, Eton House | Richmond | 5,700 | C Bee Group | 27.00 |
| Sep 2011 | 2nd Flr, The Glasshouse, Arthur Road | Wimbledon Park | 5,275 | Career Development Group | 10.00 |
| Sep 2011 | Dial House | Putney | 8,760 | Grass Roots Group | 20.00 |
| Aug 11 | Kings House & Conquest House | Kingston | 90,100 | Saipem | 24.00 |
| May 11 | Eton House | Richmond | 7,500 | Cartus | 27.50 |
| Feb 11 | Melbury House | Wimbledon | 8,780 | Lidl | 21.00 |

Source: BNPPRE / CoStar

Vantage House itself has performed poorly as an office property despite over 5 years of active marketing and a refurbishment of the 1st and 2nd floors in 2008 at a cost of around £500,000. 3rd floor in 2010. 23,000 sq ft of the building was vacant when the building was bought by the current owner in 2006. That figure has only marginally improved in a six year period to the current level of around 16,000 sq ft. The building has been let to small occupiers of poor covenant strength and on short-term leases.

Adare Intelidata Limited who are tenants on part of the ground floor, are negotiating to move to a smaller suite, having initially moved to their current demise of 3,715 sq ft from the whole of the 3rd floor totalling 10,372 sq ft. The other building occupiers are on term certain until no later than 2016.



The prospects today of ever fully letting the building as offices are extremely poor. Even a comprehensive refurbishment, dismissed earlier in this report as financial 'suicide', would not guarantee any chance of securing new tenants owing to the complete lack of demand in the Wimbledon Park area and the unsuitability of the building. The major problem remains the nature of the location which is not attractive to modern day office users particularly when an over supplied market provides an abundance of other opportunities and continuously evolving technology reduces the demand for physical office space.

The table below shows the sharp rise in the availability levels across the SM25 and wider SE region over recent years. This reflects the growing volume of second hand space that has come onto the market, as companies struggle in the tough economic climate. This growing volume of available space has meant occupiers looking for new offices have been put in a very favourable negotiating position with landlords. This has resulted in a strong trend towards companies choosing well located, prime buildings, which in a buoyant office market they would simply be unable to afford. This has meant that poorly located offices such as Vantage House in peripheral locations simply can't compete with the deals still available to tenants on prime offices in core markets.

Even when the prime stock runs out and/or the occupier market picks-up, it will be the better located second hand space that will be most attractive to tenants, however good the deals available on offices in peripheral locations.

Historic supply levels (million sq ft)

| Market | Q4 2008 | Q4 2009 | Q4 2010 | Q4 2011 |
|------------|---------|---------|---------|---------|
| Wimbledon | 0.97 | 0.152 | 0.147 | 0.214 |
| South M25 | 3.59 | 4.07 | 5.33 | 5.49 |
| South East | 14.39 | 17.08 | 18.81 | 17.98 |

SUMMARY

It is our considered view that **Vantage House** does not meet the requirements of today's modern office occupiers. The location is not an office one and without major cost which is unjustifiable, the building does not perform as an office occupier would require it to.

Irrespective of the low asking rental level relative to buildings in some of the surrounding office markets, the location, age, appearance, and economic inefficiency of **Vantage House** all discriminate against the building and generate materially higher running costs relative to newer property.

Neither refurbishing the property to bring it up to a reasonable standard nor demolishing and rebuilding it to provide state-of-the-art office space is justified. Firstly, the costs would never be recovered by any investor imprudent enough to pursue either of these courses of action. Secondly, Wimbledon Park is one of the weakest office locations in SW London and will never compete with the other SW London office markets that all enjoy superior infrastructure, amenities and provide a far greater level of choice and quality.



CONCLUSION

We conclude that ***Vantage House*** does not have a future as an office building. The evidence presented in this report in support of this conclusion is considerable. When the final lease expires in 2016 and with the subsequent vacancy this may bring, a range of problems such as vandalism may well be encountered. Moreover, through potentially being vacant, it will not contribute to the local economy or community in any way. The building would, therefore, benefit from a change of use. This would clearly give the site a 'new lease of life' and secure its future; otherwise, there is ample evidence that it has no viable future as an office building.

Signed: _____

Name: _____

Position: _____

Company: _____

Date: _____



APPENDIX 1 – BNPPRE’S OFFICE PROPERTY BROKERAGE EXPERIENCE

BNPPRE’s recent experience in the SW London market includes the following mandates:

Raynes Park

BNPPRE is currently instructed to dispose of a 3.5-acre site on Bushey Road. This comprises an office building of around 60,000 sq ft and is likely to be disposed of for a change of use given the lack of office demand.

Wimbledon

BNPPRE is currently instructed with the ongoing disposal of 2 floors at Wimbledon Bridge House totaling 33,000 sq ft on behalf of Wandsworth NHS. Additionally we are also retained to market 3,000 sq ft on behalf of fund manager Ignis Asset Management at Beacon House, Worple Road.

New Malden

BNP PRE sold the 100,000 sq ft Apex Tower in New Malden last year for Palmer Capital

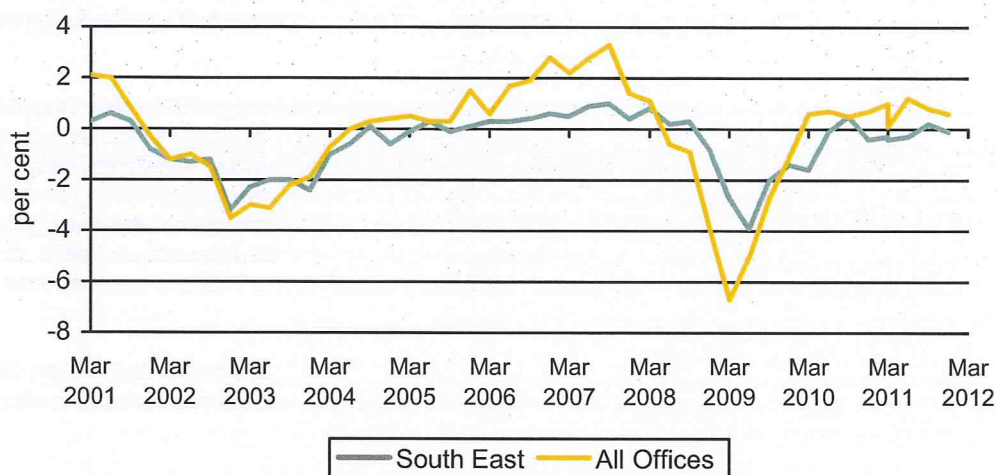
Kingston-upon-Thames

In 2006 BNPPRE completed the largest letting deal in Kingston-upon-Thames of 50,000 sq ft on behalf of the landlord. BNPPRE was also retained for a number of years in the marketing of International House.



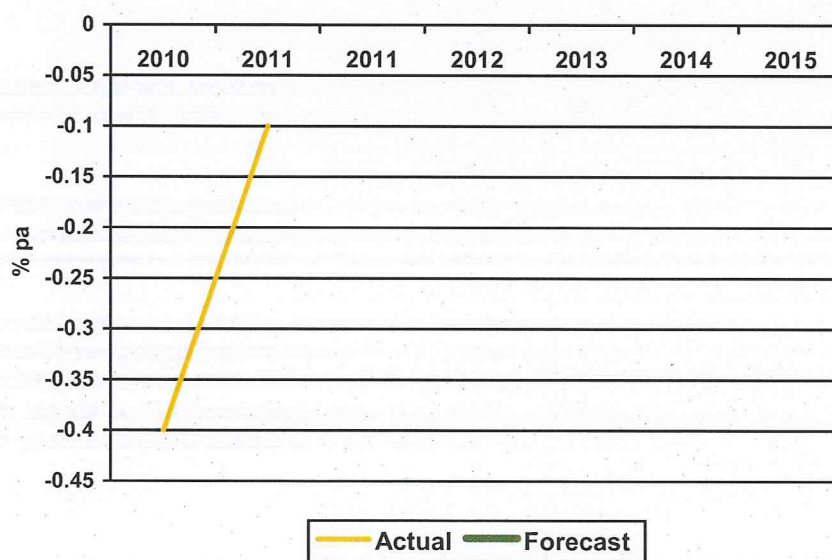
APPENDIX 2

I) SOUTH-EAST OFFICE RENTAL GROWTH



Source: IPD Quarterly Digest

II) BNPPRE SOUTH-EAST OFFICE RENTAL GROWTH FORECASTS (2011-2015)



Source:BNPPRE

APPENDIX 3 – TENANCY SCHEDULE

| Tenant | Description | Area (sq ft) | Lease Break | Rent | Expiry | Comments |
|-----------------------------|-------------|--------------|-------------|----------------------|------------|--|
| Vacant | Gnd | 1,600 | N/A | N/A | N/A | Agents marketing |
| Gerrard Chauffeur Drive Ltd | Gnd | 3,500 | N/A | £35,000 (£10.00 psf) | 25/03/2016 | |
| Adare Intellidata Ltd | Gnd | 3,715 | N/A | £37,299 (£10.04 psf) | 21/05/2012 | Service Charge cap in place. The tenant is negotiating a new lease to downsize into 1,600 sq ft. |
| Easy office | Part 1st | TBC | 14/09/2013 | N/A | 14/09/2015 | Landlord's right to break on 14 September 2013 Conditional if LL has not Easy office pay a monthly rent based on turnover. |
| Vacant | Part 1st | 4,659 | N/A | N/A | | Agents marketing |
| United Response | Second | 10,372 | N/A | £56,037 (£5.40 psf) | 07/07/2020 | s/c cap at £50,000 pa . Rent payable from 31/05/2012. Tenant only break on 7 July 2015 on 6 months' notice |
| Vacant | Third | 10,379 | N/A | N/A | N/A | Agents marketing |

APPENDIX 4 – REPORT DATA

(Sourced from CoStar)

This schedule has been compiled using CoStar data and includes current availability (A) and recently completed office lettings in the South West London market. The schedule totals a list of 320 available properties, offering more than 630,000 sq ft. Analysis of this data demonstrates that around 90% of the available space is situated either in buildings of a superior quality to **Vantage House** or in better office markets than Wimbledon Park.