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SUMMARY OF MARKETING

North Heath Lane Industrial Estate, North Heath Lane, Horsham
West Sussex, RH12 5QE

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Crickmay Chartered Surveyors is the trading name of Crickmay Ltd. A list of Directors' names is open to inspection at the Registered office 22 London Road, Horsham, West Sussex RH12 1AY. Registered in England No 04258882. VAT number GB-397667381.



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7th November 2024

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*Also at Brighton & Hove
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Dear Sir / Madam,

North Heath Lane Industrial Estate, North Heath Lane, Horsham, West Sussex, RH12 5QE

I am writing in respect of your response to our client Coldunell Ltd's pre-application for the 'demolition of existing commercial buildings and erection of residential development for a scheme of up to 74 dwellings at North Heath Lane Industrial Estate, North Heath Lane, Horsham RH12 5QE' and more specifically to provide a summary of our marketing activities conducted to date along with my general observations in respect of the estate, an analysis of the current Horsham District commercial property market and finally a recommendation as to the suitability of the site for continued commercial use.

About Crickmay

Crickmay have extensive knowledge of the South-East property market having been established since 1984. From our offices in Horsham, Haywards Heath and Brighton & Hove we have a combined team of 10 Chartered Surveyors and 2 graduate surveyors who act for a mix of occupiers, landlords, developers and investors on a multitude of commercial properties and residential developments.

We acquire, sell and lease commercial property in addition to providing valuations, building consultancy and property management services, together with the provision of general Landlord & Tenant and business rates advice.

About the Author

Jonathan Mack BSc (Hons) MRICS is a Chartered Surveyor with over 18 years in the commercial property industry. Jonathan is a co-owner and director of Crickmay heading its agency department across our Horsham, Haywards Heath and Brighton & Hove offices.

The Estate

North Heath Lane Industrial Estate is situated approximately 1.5 miles to the north of Horsham town centre and comprises a mixture of purpose-built office and industrial accommodation across 5 individual office buildings and 3 terraced blocks of industrial units (one also incorporating office accommodation). The western block provides what was initially 4 individual units (units 1-4), the northern block providing what was originally 6 individual units (mixture of basic office accommodation and 3 industrial units) – (Units C, D, E, F, 8 & 9) and the central block providing 3 individual industrial units (units 5-7). Each building/unit features dedicated parking spaces, supplemented by two large overflow car parks located centrally within the estate and adjacent to the main entrance. The estate as a whole is surrounded by residential properties along with the Pondtail Park playing field, which is immediately to its southern boundary.

The A264, which connects to the A23/M23 is within a seven-mile distance, facilitating access to Gatwick Airport and the wider Southeast motorway network. Additionally, the estate is near Littlehaven railway station, providing direct services to London Victoria, with travel times of approximately 55 minutes.

The properties

Planet House comprises a prominent, L-shaped two-storey detached office building located at the entrance of the estate, immediately adjacent to its access road and one of the estate's main visitor car parks.

The main access road, which runs through the middle of the estate then leads to both Wilson House and Units A&B. Wilson House again comprises a detached, two-storey office building with designated parking immediately to its front. Unit B comprises an older style building likely to have originally been a block of 3 terraced houses, which I suspect were subsequently converted into what is now cellular office accommodation. In more recent years a separate 2-storey office building (Unit A) was constructed, with the two buildings since having been amalgamated via a single storey link.

Beyond Wilson House and Units A&B the main access road leads into the main industrial section of the estate incorporating the three industrial terraces and second visitor car park.

Beyond the central terrace of industrial units lies two detached 2-storey office buildings known as Quadrant House and Bentley House.

The majority of office accommodation within the estate is reasonably well specified with carpet tiled floors, suspended ceilings, CAT II lighting, central heating, double-glazed windows etc. The exceptions to this are the offices within Unit B which we do not believe to have been purpose built and are generally now considered too cellular for modern day office requirements, along with the office accommodation within Unit F which are housed within what is effectively an industrial building. It should also be noted that both Quadrant House and Bentley House are within a poor location set back within the estate behind the central terrace of industrial units, which results in a poor outlook.

A plan further indicating the layout of the site has been included at Appendix 1.

Tenure

The whole estate is owned on a freehold basis and is at present occupied by 5 different tenants, with Bentley House remaining vacant and available on the market to let. The principal tenant of the estate (Chess Dynamics) who occupy some 12 units together with Quadrant House, are known to have been looking in the market for alternative accommodation more suited to the needs of their business and the needs that could be expected of a modern-day office and industrial occupiers generally. Their present leases are all due to expire towards the latter stages of 2028 and they have indicated to our client that they may not wish to remain. The leases to the other 4 tenants expire at the same time in 2028 and so the Landlord faces the prospect of the entire estate being vacated in 2028. I summarise the various occupiers, as follows:-

Property	Tenant	Use
Planet House	Netsol	Offices
Units A & B	Envitia	Offices
Wilson House	Sureserve	Offices
Bentley House	Vacant	Offices
Quadrant House	Chess	Offices
Unit 1	Chess	Industrial
Unit 2	Chess	Industrial
Unit 3 & 4	Chess	Industrial
Unit 5	Chess	Industrial
Unit 6	Chess	Industrial
Unit 7	Chess	Industrial
Unit 8	Chess	Industrial
Unit 9	Chess	Industrial
Unit C	Chess	Offices
Unit D	Chess	Industrial
Unit E	Chess	Industrial
Unit F	Chess	Offices

Accommodation

The accommodation comprises the following approximate net internal (NIA) (in the case of the office accommodation) or gross internal (GIA) (in the case of the industrial accommodation) floors areas, measured in accordance with the RICS Code of Measuring Practice 6th edition: -

Property	Size (sq m)	Size (sq ft)
Planet House NIA	606.56	6,529
Units A&B NIA	1,050.35	11,306
Wilson House NIA	362.88	3,906
Bentley House NIA	624.77	6,725
Quadrant House NIA	527.96	5,683
Unit 1 GIA	175.59	1,890
Unit 2 GIA	175.12	1,885
Unit 3 GIA	175.31	1,887
Unit 4 GIA (exc Mezzanine)	174.84	1,882
Unit 5 GIA (exc Mezzanine)	190.82	2,054
Unit 6 GIA	186.27	2,005
Unit 7 GIA (exc Mezzanine)	190.26	2,048
Unit 8 GIA (exc Mezzanine)	125.42	1,350
Unit 9 GIA (exc Mezzanine)	126.16	1,358
Unit C NIA	413.23	4,448
Unit D GIA (exc Mezzanine)	230.96	2,486
Unit E GIA	231.23	2,489
Unit F NIA	440.08	4,737

Business Rates

From our research on the Valuation Office Agency (VOA) website it would appear that the properties have the following Rateable Values:

Property	Rateable Value	UBR (2024/25) (based on occupier)	Rates Payable (2024/25)
Bentley House	£80,000	51.2 p in £	£40,960
Planet House	£75,000	51.2 p in £	£38,400

Quadrant House	£89,000	51.2 p in £	£45,568
Wilson House	£50,000	49.9 p in £	£24,950
Units A&B	£73,000	51.2 p in £	£37,376
Units C & D	£58,500	51.2 p in £	£29,952
Units E & F	£53,000	51.2 p in £	£27,136
Unit 5	£24,000	51.2 p in £	£12,288
Unit 6	£22,250	51.2 p in £	£11,392
Unit 7	£20,250	51.2 p in £	£10,368
Units 8-9	£27,750	51.2 p in £	£14,208

Whilst these Rateable Values are anticipated to increase at the next revaluation date (anticipated April 2026), the above table demonstrates that following the vacation of the principal tenant in 2028 and after the vacant property relief periods (currently 3 months in respect of office and 6 months in respect of industrial accommodation), Coldunell will be liable for a significant rating sum anticipated to exceed **£185,000 per annum**, just in respect of the units currently occupied by the principal tenant alone.

Energy Performance Certificates

Minimum Energy Efficiency Standards (MEES) for Commercial Properties, under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 currently requires non-domestic properties in England and Wales to have a minimum EPC rating of E if they are to be let. As of 1st April 2023 this was extended to include properties already under lease, as opposed to those that were simply undergoing a transaction in the form of new letting, or renewal. Whilst at present the MEES legislation only requires Landlords of non-domestic property to ensure their properties have an E rating or above, the UK government proposes to mandate that all non-domestic properties are to achieve a minimum EPC B rating by 2030, aligning with its goal to reduce carbon emissions and reach net-zero by 2050. Properties failing to meet this standard could face legal restrictions, prohibiting leasing or the occupation of non-compliant buildings. Additionally, property owners who continue to rent or sell properties that fall below a B rating may incur fines along with other types of enforcement action.

As demonstrated within the table below, currently, none of the buildings across the estate meet (or in the absence of a current EPC are anticipated to meet [by Coldunell's EPC Surveyor]) the suggested future legislative requirement for an EPC B rating. As part of Coldunell's future planning we understand they have liaised with a qualified Energy Performance Assessor to provide an in-depth analysis as to the improvements that will likely be required to the various buildings in order to reach an EPC B rating. Armed with this information our clients have subsequently appointed a specialist quantity surveyor to provide indicative costings for the improvements required, which having been carefully considered are understood to be prohibitive and unviable, particularly taking into account additional expenditure required to future-proof the buildings including necessary upgrades to the common parts and general infrastructure of the estate, relative to the anticipated future returns on their investment. We understand

further viability information in this regard will be provided directly by Coldunell and their external consultants within a separate viability report.

Property	EPC Rating	Expiry Date
Bentley House	C-53	10 March 2025
Planet House	C-69	08 October 2028
Quadrant House (anticipated EPC Rating)	C	
Wilson House (Unit G)	C-65	4 January 2032
Unit C	C-55	8 April 2028
Unit D (anticipated EPC Rating)	F	
Unit E	C-66	26 November 2029
Unit F	C-64	26 November 2029
Unit 1 (anticipated EPC Rating)	F	
Unit 2 (anticipated EPC Rating)	F	
Unit 3 (anticipated EPC Rating)	F	
Unit 4 (anticipated EPC Rating)	F	
Unit 5		Expired 24 September 2024
Unit 6	D-96	24 June 2029
Unit 7 (anticipated EPC Rating)	G	
Unit 8 (anticipated EPC Rating)	F	
Unit 9 (anticipated EPC Rating)	F	

Planning and Restricted Hours of Operation

The various buildings described above and that form part of North Heath Lane Industrial Estate are understood to have been used for the purposes of office and light industrial uses. As part of new planning legislation that came into force on 1st September 2020 the UK government introduced a set of new permitted development rights to allow greater flexibility for the interchanging of non-domestic use classes, without the need for a full and formal planning application and consent process. This was primarily to address the significant changes being experienced pre and post the pandemic to consumer behaviours and working practices and in part to reduce commercial property vacancy rates by enabling properties to be converted into spaces that better matched local demand. An example of this could be the change of use of obsolescent office accommodation to gymnasium space or other alternative uses where more demand might be experienced. This new legislation is known as 'The Town & Country Planning Act (Use Classes) (Amendment) (England) Regulations 2020'. The introduction of Class E planning consent within this legislation essentially consolidates several former use classes (A1, A2, A3,

B1, D1 and D2) into one, allowing the interchanging of uses to include the following, without the need for full planning permission.

- Retail (e.g. shops, hairdressers, retail outlets etc)
- Restaurants & Cafes
- Offices
- Gyms, sports and health clubs
- Clinic and health services
- Community uses (e.g. libraries, day nurseries, places of worship) etc
- Assembly & leisure spaces (e.g. cinemas, concert halls, dance studios) etc

Despite the introduction of this legislation and the government's desire to make it easier to convert non fit-for-purpose, vacant commercial accommodation into other uses, unfortunately in the case of North Heath Lane Industrial Estate there is a planning restriction on the hours of operation of the estate, which has completely prohibited interest from such alternative use operators. In this case the restrictive hours of operation in place, state that:

'No work shall be undertaken, nor shall any traffic movement occur within the site between the hours of 9p.m. and 7 a.m. between Monday evening and Saturday morning inclusive, and between 1.p.m on Saturday and 7 a.m on Monday'.

This restriction has deterred various potential occupiers including IT and telecommunications companies, clinical researchers, and engineering firms, together with alternative use operators such as gymnasium, private medical and veterinary operators, all of whom, regardless of their size have stated they would require more flexibility in hours to accommodate the modern day demands of their businesses and client demands (to include international clients) and have required late night and weekend operations.

This restriction has also been cited by the principal tenant of the estate as one of the many reasons they also feel this site is unfortunately no longer fit-for-purpose in meeting the modern-day requirements of their business. We also understand the imposition of the current or indeed any imposed hours of restriction on the estate has formed part of their major consideration process in determining not to renew their current leases in this location beyond 2028.

In addition to the restricted hours of use we understand there are also conditions limiting specific uses within Class E across the estate, further reducing the intended flexibility.

Condition

Although we have not carried out any formal building surveys, it is evident that the North Heath Lane Industrial Estate is now well over 40 years old and faces significant challenges due to its aging buildings and outdated infrastructure. A single example of this is emergency repairs that were required to underground water pipes at the estate last year, costing Coldunell in the region of £40,000. It is considered that significant investment is required, even for just basic upkeep of the estate. In addition many of the office buildings and industrial units on the estate are considered to be nearing the end of their economic life expectancy and are considered to require substantial improvement works not only to meet the requirements of modern day office and industrial occupiers but also to meet the government's intended EPC requirements, as outlined above.

Horsham District Market Overview

Commencing initially with the office market, whilst we have seen some take-up within the Horsham District following the pandemic, this has generally stemmed from occupiers downsizing to smaller accommodation as a result of a change in their working practices and in adopting hybrid working between the home and office. This trend has led to a general demand for higher density occupation and increasingly agile working environments leading to a shift of demand for large floorplates in favour of smaller scale, high quality space. As a result of this we are finding mid to larger office buildings such as those within the North Heath Lane Industrial estate have been the most difficult to let in the current marketplace and we do not anticipate this changing within the mid to long term future.

Office demand within Horsham and the wider district remains limited and mainly stems from lease events or redevelopment taking place to other office buildings within the area, causing displacement of their occupiers. The demand we are experiencing is mainly concentrated on premium, high-quality spaces in established office locations. In recent years, businesses have become increasingly focused on securing office premises with excellent local amenities as a strategy to attract and retain talented and suitably qualified/experienced staff. This has been especially true as many companies have looked to entice employees back to the office after the massive shift to remote and hybrid working during and since the Covid-19 pandemic. The thinking behind this shift revolves around creating an attractive, comfortable and convenient working environment that hopefully makes employees want to spend time in the office, rather than work from home or worse still for another employer. These local amenities would typically include cafes, gyms, restaurants, shops, transport hubs and easy access to essential services such as medical centres. We are also finding that modern day office occupiers are generally seeking modern, well equipped and higher specified accommodation with prioritisation being given to energy efficiency and higher EPC rated properties and with a focus upon sustainable features.

With the changes in general office demand outlined above, we are starting to see new sites coming forward that are being designed to cater for such requirements within close proximity. These include the proposed redevelopment of the **former Norvatis site (Horsham Enterprise Park)** which is set to include 300 homes, **circa 269,000 sq ft of brand new employment space**, an enterprise hub and community facilities. Another example is the proposed new **Mowbray development** which is set to provide 2,750 new homes along with a bespoke business park of **up to 500,000 sq ft of modern office accommodation**, a new railway station and associated retailing and amenity facilities.

The industrial market has generally remained strong within the Horsham district with good levels of take-up and low vacancy rates. This being said there is currently a major shortage of modern, highly specified industrial accommodation with sufficient eaves height, power supply and yard & circulation areas that otherwise have good access and transportation links, without limitations and restrictions on the hours of operation and with BREEAM excellent and high EPC ratings, within the Horsham District.

Whilst in recent times industrial occupiers have typically had to put up with aging and obsolescent buildings that have not typically benefitted from the above amenities, such as those found at the subject estate, we are starting to see new sites now coming forward within the general locality and further afield that far better cater to the modern-day requirements of industrial occupiers. These sites include **Billingshurst Enterprise park (circa 150,000 sq ft of new-build industrial accommodation, together with further trade counter units)**, **Audio Business Park in Southwater (circa 104,000 sq ft of**

new-build industrial accommodation), Axis-24 (circa 100,000 sq ft of newbuild industrial accommodation with integral office space), along with Panattoni Park developments in Crawley, Burgess Hill and Shoreham providing circa 200,000, 460,000 and 270,000 sq ft respectively. All such developments will provide alternatives that will far better meet current location, amenity and efficiency/sustainability expectations of current prospective occupiers.

Marketing Activities

Crickmay have been involved with the lettings of vacant units at this estate for a number of years. With the site having been predominantly occupied by a single and growing business in the form of Chess the landlord has generally been able to dispose of vacant units to them. Chess are essentially a “special purchaser”. The exception being Bentley House. Crickmay have been marketing Bentley House (one of the office buildings within the estate) since March 2020 (over 4 years) without success. This combined with the threat of the majority (if not all) of the estate becoming vacant in 2028, has led us and Coldunell to carefully consider the prospects of securing new tenant(s) across the various other buildings as and when they fall vacant. To highlight our concerns I summarise as below our marketing efforts to date in respect of Bentley House:-

At the commencement of marketing we prepared detailed property particulars (attached with this report) and circulated these details amongst applicants upon our database seeking office accommodation of this nature and within the locality, along with a number of local agents who were deemed likely to have their own clients also seeking such accommodation. The availability of the premises has also been circulated regularly through both our website along with other national commercial property listings to include Focus, P I Property, the Commercial Property Database and the Gatwick Diamond Commercial Property register, Estate Agents Clearing House, Zoopla Pro, Prime Location and Office Agents Society. In addition to this and subsequent to our initial marketing campaign we also utilised Zoopla’s ‘premium listing’ service in the hope of increasing both reach and visibility to prospective occupiers and agents acting for such occupiers. In addition to the above we have also had marketing boards clearly advertising the property’s availability both at the entrance of the estate such that they are visible to passers-by, along with a marketing board having also been affixed to the property itself.

As part of considering further marketing initiatives to enhance the attractiveness of the property we also offered the premises in flexible configurations, to include the entire building, on a floor-by-floor basis along with clearly advertising that consideration would be given to the further division of floors and alternative uses. Our client also carried out various refurbishment works to the property to try and enhance its attractiveness. During the period of our marketing we re-produced various iterations of our marketing particulars predominantly to incorporate updated marketing photos, which we then recirculated across our databases and internet portals in the hope of generating new interest. I attach together with this report 3 different iterations of our detailed particulars.

You will note that throughout our marketing material we have been quoting ‘rent on application,’ not only to entice parties to make an enquiry but also due to the fact that the quoting rent will depend upon the extent of space any party has been looking to take, along with works that they may require. To enquiring parties looking to take at least a whole floor we have been guiding a rent of £18 per square foot, per annum exclusive and have stated that at this level the Landlord would be amenable to carrying out internal works to the property, if required. This level is in line with headline rents that have been quoted and achieved elsewhere within the town. We have also stated to parties looking to take at least a whole floor that if the accommodation were to be taken as-is, our clients would consider

a headline rent of £16 per square foot, per annum exclusive dependant upon the other terms proposed and covenant strength of the tenant.

Despite all of the above efforts, the property has unfortunately remained vacant. A full schedule of enquiries is attached to this report, along with a summary of the general feedback received.

Key obstacles from feedback received

Over our four years of marketing, enquiries have been very limited. Whilst a few enquiries have progressed further to one or more viewings, we have unfortunately found that these parties have consistently opted for alternative properties. We understand this is to be for reasons to include location, better amenities surrounding other options and without these options having restricted hours of operation.

The limited demand for North Heath Lane Industrial Estate has also proven to be reflective of the general reduced demand and appetite for office space within the Horsham district generally, combined with the fact that even less demand has been experienced for secondary, out-of-town locations such as this estate. The restricted hours of operation on the estate has proven to be a major issue.

Unless taken by Chess, the letting of the industrial units that have historically become available across the estate has also been particularly difficult. Due to their proximity to office occupants on the estate and neighbouring residents and the restricted hours of use in particular. Prospective occupiers see the proximity to residential use and office occupants as a potential source of conflict – with noise, smells etc. Whilst the restricted hours of operation have ruled out occupiers who work outside of these hours – of which there are many.

Conclusion

The North Heath Lane Industrial Estate, now over 40 years old, faces significant challenges due to aging buildings, dated infrastructure and the trajectory of energy efficiency for commercial buildings as set out by the Government. With at least 14 of the 17 units/properties on the estate likely to become vacant in 2028 the landlord clearly needs to consider the future of the estate. Achieving the mandatory EPC B rating will demand substantial upgrades in addition to the significant general refurbishment required to the buildings and site infrastructure. This investment needs to be considered in the context of likely tenant demand and rent following these works. In so doing regard must be had to our experience of how the hours of use and other planning restrictions that apply to the estate notably reduce the occupier market and, in turn, the rents achievable. We understand that the landlord has engaged appropriate consultants to prepare options, costings and to undertake financial viability assessments to appraise the options for refurbishment of the estate or redevelopment of the estate for ongoing commercial use and these have shown all options to be financially unviable.

Given the direction of travel with the energy efficiency of buildings, finding new occupiers will become increasingly difficult without major investment in the estate and its buildings. Even with such investment the hours of use restriction will continue to be a significant impediment to achieving lettings and the level of rent that can realistically be achieved. In light of this and the knowledge that the Financial Viability Assessments show the refurbishment and redevelopment options for ongoing use to be unviable our strong recommendations to the landlord is to consider and pursue options for redevelopment of the estate to alternative uses.

Yours faithfully,

[REDACTED]

(Director, Crickmay Chartered Surveyors)

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Appendix 1

