

## Marketing Report

### Transair, Plot 9, Shoreham Airport, Shoreham-by-Sea, BN43 5PA

Prepared upon the Instructions of

**Transair (UK) Ltd**



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Prepared by

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FLUDE COMMERCIAL

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## **CONTENTS**

### **1.0 INTRODUCTION**

### **2.0 INSTRUCTIONS**

### **3.0 THE PROPERTY**

#### **3.1 General Description**

#### **3.2 Accommodation**

#### **3.3 Rateable Value**

#### **3.4 Planning**

#### **3.5 Tenure**

### **4.0 MARKET CONDITIONS & FACTORS PARTICULAR TO THE PROPERTY THAT MIGHT AFFECT APPEAL**

### **5.0 QUOTING TERMS**

### **6.0 MARKETING PROPOSALS**

### **7.0 ENERGY PERFORMANCE CERTIFICATE (EPC)**

### **8.0 TERMS OF APPOINTMENT**



## **1.0 INTRODUCTION**

- 1.1 Flude Commercial is an independent firm of Chartered Surveyors regulated by the Royal Institution of Chartered Surveyors (R.I.C.S.) who specialise in advising clients who own or occupy commercial real estate.
- 1.2 Our main areas of expertise include commercial property agency, lease advisory (rent reviews, lease renewals and lease re-gearing), property management; real estate asset valuation and general consultancy (investment and development).
- 1.3 Our firm comprises two offices in Chichester and Brighton totalling 22 staff – 14 of whom are fee earners and active in the local market on a daily basis.

## **2.0 INSTRUCTIONS**

- 2.1 We understand that you wish to relocate to freehold premises partly as the current premises are larger than you need and partly because of the ongoing uncertainty as to the future of Shoreham airport.
- 2.2 We set out our marketing proposals for these premises for your consideration.

## **3.0 THE PROPERTY**

### **3.1 General Description**

- 3.1.1 The property comprises Plot 9 on which you have developed a modern steel portal framed industrial / warehouse building with a 2 storey block to its front.
- 3.1.2 The first floor comprises good quality air conditioned offices which are currently sub-let. The ground floor front is mainly allocated, currently, to retail space. The rear of the building is allocated to warehousing accessed from loading doors along the southern elevation.
- 3.1.3 There are parking spaces for around 35 cars to the front of the unit and loading areas along its southern elevation.
- 3.1.4 The property benefits from solar panels to its roof, which you previously advised produce a revenue in the order of £15,000 pa under the feed-in tariff.
- 3.1.5 Shoreham Airport has a range of industrial and warehouse buildings and is an established commercial location. It benefits from quick and easy access to the A27.



### 3.2 Accommodation

3.2.1 We have measured the building to have the following approximate gross internal floor areas:

Floor	Description	Sq m	Sq ft
Ground	Warehouse	960	
	Office entrance, retail & former club offices	302	
	Total ground floor	1,262	13,585
First	Offices	297	3,194
	<b>Total ignoring mezzanine floor</b>	<b>1,559</b>	<b>16,779</b>
Mezzanine floor	Stores	46	500

3.2.2 The built in 2 storey block to the front of the building has a floor area of around 593.42 sq m (6,387 sq ft) which equates to around 38% of the total gross internal area of the building (excluding the mezzanine floor). This is a relatively high office content for a production / warehouse building.

### 3.3 Rateable Value

3.3.1 Each property has a rateable value which is what the government use to calculate the business rates for commercial occupiers.

3.3.2 The Rateable Value under the 2010 rating list is £91,000 and the property is described as “Warehouse & Premises”.

3.3.3 There was a rating revaluation effective from 1 April 2017. You should have received a new rating assessment, therefore, effective from 1 April 2017.

### 3.4 Planning

3.4.1 Planning consent was granted under reference L/171/98/TP for development of a “warehouse with ancillary shop & offices (including access road and parking)”.

3.4.2 The consent is subject to a number of conditions. Condition 2 states - “The premises shall be used only for the storage and distribution of pilots’ supplies (with ancillary shop and offices) and for no other purpose within Class B8 of the Schedule to the Town & Country Planning (Use Classes) Order 1987...”. The reason stated for this condition is “To comply with planning policies for the airport”.

3.4.3 Saved policy AE10 of the Local Plan 1999 protects aviation related uses and Policy 7 of the emerging Local Plan 2014 provides as follows:

3.4.4 “Non-aviation related uses will only be permitted in exceptional circumstances where it can be demonstrated there are significant regeneration benefits. Appropriate aviation-related training uses will also be supported in this location.”

3.4.5 Condition 2 of the prevailing planning consent is very specific. It is unlikely that we will attract prospective purchasers who comply with this condition. Most, if not all, prospective purchasers are likely to require removal of this condition and / or a modification of the planning consent generally. Or we might find a buyer who will take a view on the issue.



### 3.5 Tenure

#### 3.5.1 Transair (UK) Ltd hold the property under a lease the salient points to which we summarise as follows:

Demise:	This is defined as Development Plot 9 (as indicated on the lease plan), together with the buildings on it (excluding the airspace lying above the existing roof).
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Term:	125 years from and including 15 September 1999, so expiring on 14 September 2124. Therefore with approximately 107 years remaining on the lease.
Rent:	It is understood that the rent passing is £25,000 pa following recent settlement of the Sept 2014 review.
Rent review:	The rent is to be reviewed upward only at the end of the 5 <sup>th</sup> year to a figure that represents 20% of the Rack Rental Value of the Premises. The review rent may be agreed at any time or (in the absence of agreement) be determined by an arbitrator.
Repairs:	The lessee has a full repairing liability.
Insurance:	The lessee is required to insure the premises in the joint names of the landlord and tenant.
Estate charges:	The lessee is required to pay a fair proportion of the expenses incurred in respect of constructing repairing rebuilding and cleansing all party walls fences boundaries sewers drains cables pipes wires and other things (if any) the use of which is in common to the Demised Premises and to other premises. The lessee is also required to contribute towards the costs to the Council of maintaining security services at the airport.
Alienation:	The tenant is not to assign, underlet or part with possession of any part of the demised premises (meaning a portion only and not the whole) or to share occupation of the whole and not to underlet the whole for all or any part of the term without the previous consent of the Council that shall not be unreasonably withheld, subject to certain pre-conditions set out within the lease.
User:	The tenant is not to use the premises other than for aviation-related purposes including hangarage and the warehousing and mail order distribution of aviation products together with associated offices and retail shop without the Council's consent such consent not to be unreasonably withheld or delayed.

#### 3.5.2 The aviation restriction on the user clause is quite restrictive. It is likely that most prospective purchaser for the building will be non-aviation related businesses. We will not know whether the landlord will seek to oppose non airport related uses until such time as an application for their consent is made. We understand that there is precedent for non-aviation related uses being permitted elsewhere on the estate and there is a requirement for the landlord to act reasonably in respect of proposed changes to the user clause.



3.5.3 The first floor office suite is sub-let to Cox Powertrain Limited. We have the following terms for the sub-lease from the heads of terms. Please can you forward a copy of the completed lease so that we can check them.

Demise:	First floor offices and the right to park 13 cars in the car park
Term:	5 years from completion (which we understand was the latter part of 2016).
Rent:	£40,000 per annum.
Rent Deposit	A rent deposit of £10,000 is held by the lessor.
Tenant break option:	The tenant can break the lease after the first 2 ½ years of the lease subject to serving 6 months notice.
Repairs:	The Lessee is to be keep the premises and Lessors fixtures and fittings in good repair and condition and to decorate the premises in the last 3 months of the term. The Lessee shall not be required to return the premises to the Lessor in any better condition than that in which they are let, which is to be recorded by a photographic record of the of condition prepared at the commencement of the underlease
Insurance:	The Lessee is to reimburse the Lessor 28% of the cost to them in relation to the insurance of the premises.
Estate charges:	The Lessee is to make a contribution of £8,300 per annum, payable quarterly in advance, towards building maintenance, servicing and estate charges. The service charge shall be increased annually in line with increases in the RPI.
Alienation:	Prohibited
Business rates:	The Lessee is to make a contribution of 28% of the business rates payable for the property of which the demised premises for part.
Landlord & Tenant Act	The lease is excluded from S.24 to 28 of the Landlord and Tenant Act 1954.

#### **4.0 MARKET CONDITIONS & FACTORS PARTICULAR TO THE PROPERTY THAT MIGHT EFFECT APPEAL**

- 4.1 Since 2012 we have seen good improvement in the industrial / warehouse (B1/B8) market throughout the Sussex area to the extent that there is now an acute shortage of supply – particularly of good quality accommodation and in and around the Brighton & Hove area.
- 4.2 The lack of supply is unlikely to be alleviated in the short term due to a lack of sites allocated for B1/B8 development and the slow, cumbersome and expensive planning process. As a result we have seen rental and capital growth in the industrial property market.
- 4.3 Occupier demand has slowed over the since the 2<sup>nd</sup> half of 2016 and there is generally more business caution currently. But the fundamentals of the industrial market remain the same with very limited supply.



- 4.4 The majority of the B1/B8 market comprises properties offered to let. There is very little in the way of freehold (and long leasehold) stock. When freehold (and long leasehold) properties are offered to the market they tend to generate particularly good interest.
- 4.5 Specific issues with the subject property which might have some effect on appeal include:
  - 4.5.1 The relatively high office (and retail) content of the building. Most occupiers don't need such a high amount of office space.
  - 4.5.2 The restrictions in the lease. In particular the inability to sub-let in part (which is part of the reason why you are looking to dispose) and the user clause provisions requiring the property to be used for aviation related purposes. There is precedent at Shoreham airport on other properties which contain similar user clause provisions for these having been varied to permit non-aviation related businesses. There is also a requirement for the landlord to act reasonably in respect of potential changes to the user clause.
  - 4.5.3 Condition 2 of the planning consent restricting use specifically to sale and distribution of pilots' supplies and the Local Plan policy protecting against the loss of aviation related uses at Shoreham airport. It is highly likely that prospective purchasers will require a relaxation of condition 2 of the planning consent and likely that a number of prospective purchasers will be businesses which aren't aviation related. As with the user clause, we understand that there has been precedent on the estate for planning consent having been granted for non-aviation related uses / businesses.
  - 4.5.4 A commercially aggressive landlord, their apparent over riding focus on maximizing value and strategy to see the demise of the viability of the airport.
- 4.6 We will only be able to assess whether these factors impact on the appeal of the property to the market / its salability following the commencement of marketing and feedback from potential purchasers.

## **5.0 QUOTING TERMS**

- 5.1 We understand that your preference is to sell the property. We would recommend that it is offered both for sale and to let. This will widen the market. If the outcome is a letting it will still be possible to sell the property as an income producing investment to a property investor.
- 5.2 As things stand, an incoming tenant or purchaser will inherit Cox Powertrain as a tenant to the first floor offices.
- 5.3 Rents for B1 / B8 premises of the quality provided by the subject property typically vary between £6.50/sq ft and £8/sq ft in the Shoreham area.
- 5.4 We would recommend quoting £135,000 per annum (£8.04/sq ft) to lease the property and £1.5 million to purchase the property.



## 6.0 MARKETING PROPOSALS

6.1 Flude Commercial will provide a variety of mediums through which to market the premises as follows:

### 6.2 Property Particulars

We will prepare good quality in-house marketing particulars describing the premises. These would be used, subject to your prior approval, to provide information to interested parties.

### 6.3 Marketing Boards

We would recommend that marketing boards are erected to the main vehicle entrance to the property.

Marketing boards erected to properties where occupiers continue to trade from them can sometimes have a detrimental effect on business – particularly retail businesses. Boards are a very useful tool but not essential and we can refrain from using them if you have any concerns on this front.

### 6.4 Mailshots - E-Mailing

We will directly mail applicants registered with our firm who have requirements that might be satisfied by the subject property together with other local businesses who might not have active requirements but who might be interested in the property.

### 6.5 Telephone Canvassing

We will, periodically, undertake telephone promotion to both occupiers and agents.

### 6.6 Advertising

Our target audience will be regional and local occupiers. We would recommend locally advertising these premises in commercial property section of The Argus. Regional advertising is also recommended via the Commercial property Register.

### 6.7 Website Marketing

Details of the subject property will be added to the following commercial property websites:

- Our established and well publicised website ([www.flude.com](http://www.flude.com)) where users are able to access a full set of the particulars
- Property Agents Independent (PAI). We are members of this network of 26 firms across the UK similar to Flude Commercial ([www.pai.uk.com](http://www.pai.uk.com))
- Zoopla Commercial (<http://www.zoopla.co.uk/to-rent/commercial/>)
- Perfect Information Property ([www.piproperty.co.uk](http://www.piproperty.co.uk))
- Property Mall ([www.properties.propertymall.com](http://www.properties.propertymall.com))





6.8 Viewings

Viewings are arranged and undertaken through us.

6.9 Marketing Budget

We propose a marketing budget of £750 plus VAT to undertake the above marketing proposals.

**7.0 Energy Performance Certificate (EPC)**

7.1 Since the beginning of 2009 it became mandatory to obtain and provide an EPC for all commercial properties being offered to the market either for sale or to let (there are some exceptions). Failure to comply with this legislation can result in a fine.

7.2 We will check to see if an EPC has previously been prepared. If not then we will obtain quotes for the provision of an EPC from local suppliers we use.

**8.0 TERMS OF APPOINTMENT**

8.1 We propose that Flude Commercial will act as your sole agent with sole selling rights. Our fees would be based on 1.5% of the sale price. Whilst your objective is to sell the property – in the event that you let the property our fees would be based on 10% of the annual rent. Our fees exclude any incentives such as rent free periods or stepped rents in lieu of rent frees. The joint fee would be split equally between the agents.

8.2 Our fees are quoted exclusive of VAT and pre-agreed marketing expenses and will become due for payment on unconditional exchange of contracts or completion whichever is the earlier.

8.3 We enclose a copy of our standard terms and conditions which we ask you to complete and return. These will form the basis of our appointment and we would be grateful if you could check and satisfy yourself as to their content.

We would be delighted to act on the marketing of this property. We are confident that we will generate good interest and that we would ensure the best possible terms are achieved.

We trust the report provides sufficient information for your purposes but please do not hesitate to contact me should you wish to discuss any aspect of the report.

We look forward to hearing from you with your instructions.

Kind regards

Yours sincerely

**Andrew Halfacree**



## FLUDE COMMERCIAL

### Estate Agents Act 1979

#### Terms and Conditions of Business for Agency Instructions

##### **1 General**

- 1.1 These terms are to be read in conjunction with the attached fee confirmation letter and apply to all agency business involving the sale or the letting of property. The expressions "sale" or "letting" include disposing of a freehold or long leasehold, granting a lease or license, assigning a lease and agreeing a surrender.

##### **2 Appointment**

- 2.1 Our appointment as your agent commences when you confirm our instructions – either verbally or in writing - and will continue until terminated by either party giving not less than one calendar month's notice in writing. If after notification of these terms and conditions no written confirmation or queries are received from the client within 14 days it is assumed that these terms and conditions are accepted by the client.

- 2.2 Unless otherwise agreed and confirmed in writing, our instructions are on the basis of "sole selling rights". This means that you will be liable to pay remuneration to us in addition to any other costs or charges agreed in each of the following circumstances:

2.2.1 In the event of a sale or letting:

- i) If at any time contracts are exchanged for the sale or letting of the property, or any part of it, with a party introduced during the period of our appointment, even if the purchaser was not found by us but by another agent or any other person including yourself.
- ii) If contracts are exchanged for the sale or letting of the property, or any part of it, after the expiry of the period during which we are appointed with a party who was introduced to you (whether by us or by a 3<sup>rd</sup> party, to include yourself) during that period or with whom we had contact about the property during that period.

2.2.2 In the event of a Ready, willing and able purchaser / lessee being introduced

- i) If at any time a ready, willing and able purchaser / lessee is introduced, whether by us, another agent or any other person including yourself, in accordance with your instructions where you subsequently withdraw and contracts aren't exchanged, irrespective of your reasons.

##### **3 Fees**

- 3.1 Our fees will be as set out in our letter/report/email etc. dated **5 October 2017**

- 3.2 For the purpose of calculation of our fees in the event of a letting, the "Annual Rent" is calculated net of any service charge, rates liability, insurance payments and VAT, if any, and means:

- i) On the grant of a lease, the annual rent reserved following the expiry of any initial rent-free, reduced or concessionary rent period, unless that rent is stepped, and ignoring any landlord's payment or other financial inducement to the tenant.
- ii) Where the rent is stepped, the aggregate amount of rent reserved for the period from the expiry of any initial rent-free or concessionary rental period up to the first date when the rent is to be reviewed or the expiry of the term, whichever is the earlier, divided by the length of that period expressed in years, and ignoring any landlord's payment or other financial inducement to the tenant.

- 3.3 For the purpose of calculation of our fees in the event of a sale, such fees will be calculated on the total purchase consideration, excluding any VAT chargeable thereon.

##### **4 Other Payments**

- 4.1 VAT at the rate prevailing at the date of our account will be charged in addition to our fees and other charges.
- 4.2 You will be responsible for such marketing expenditure as may be agreed between us and the costs will be estimated. Accounts for marketing costs will be submitted at the time when expenditure is incurred and are due for settlement within 14 days of issue.
- 4.3 Where we make enquiries to the local planning authority to establish the planning history and to Land Registry to establish tenure and title we will seek to recover expenses incurred in this regard not to exceed £35 plus VAT (unless otherwise agreed with the client).

##### **5 Payment of Fees**

- 5.1 We may invoice you for our fees and other payments due as soon as your liability arises under paragraph 2 above.
- 5.2 Invoices are due for settlement upon presentation, unless stated otherwise. We reserve the right to charge the client interest on any invoice that remains unpaid beyond 30 days. Interest is to be charged on all outstanding amounts from the due date until the date of settlement at 3% per annum over the base rate for the time being of Barclays Bank plc.



## **6 Abortive Fees**

- 6.1 In the event that the property is withdrawn or our instructions terminated for any reason prior to the property being fully disposed of, we reserve the right to charge you in respect of our abortive work, such abortive fee to be based on the timing of such withdrawal or termination according to the following provisions:
- 6.2 If withdrawal or termination occurs after the particulars have been prepared, but before the property has been offered for Sale or Let to any potential Purchasers or Tenants as the case may be, you shall pay for our abortive work on a time spent basis (details of our rates from time to time are available on request).
- 6.3 If withdrawal or termination occurs after the property has been offered for Sale or Let to any potential Purchasers or Tenants but before any offers of purchase have been received from potential Purchasers, you shall pay 12.5% of the agreed fee, based on our Projections.
- 6.4 If withdrawal or termination occurs after any offers of purchase have been received from potential Purchasers but before Heads of Terms are agreed between you and the potential Purchaser or Tenant, you shall pay 25% of the agreed fee, based on our Projections.
- 6.5 If withdrawal or termination occurs after Heads of Terms are agreed between you and the potential Purchaser or Tenant but before solicitors have been instructed on terms agreed by you, you shall pay 37.5% of the agreed fee, based on the price agreed in the Heads of Terms;
- 6.6 If withdrawal or termination occurs after Heads of Terms are agreed between you and the potential Purchaser or Tenant and after solicitors have been instructed on terms agreed by you, or between exchange and completion in the case of a Sale (as provided for by clause 1), you shall pay 50% of the agreed fee, based on the price agreed in the Heads of Terms;
- 6.7 In addition to this, we would look to recover all abortive marketing expenses.

## **7 Information about the Property**

- 7.1 We are relying on the following assumptions and representations by you, unless we are notified in writing to the contrary:
- i) All information provided by you, your professional advisors, Local Authorities, other statutory bodies, etc, regarding the property is complete and correct. You must be aware that under the Property Misdescriptions Act 1991 we can be criminally liable for any misdescriptions of the property. You must advise us immediately of any inaccuracies or changes in the information provided to us.
  - ii) Unless otherwise agreed between us, title deeds and leases will not be read by us. Unless otherwise notified to us in writing, it is assumed that the property is free from any onerous covenants, easements and other restrictions or liabilities which may affect the marketability of the property.
  - iii) The property complies with all statutory requirements and has been constructed and is occupied in accordance with valid planning, building regulation and other necessary approvals.
  - iv) That the property is not contaminated (so as to affect its marketability).
  - v) You are informed that Energy Performance Certificates (EPC) are required for all commercial properties being marketed for sale, to let etc. albeit there are certain exemptions. It is your responsibility to establish whether an EPC is required and, if so, to obtain one. We accept no liability in this regard.

## **8 Management & Insurance**

- 8.1 For the avoidance of doubt, under the terms of our appointment we do not accept any responsibility for the security, management or insurance of the property or of third parties who visit the property, even if accompanied by us.

## **9 Offers Received**

- 9.1 Unless otherwise agreed, we will report to you in writing all offers which are received in writing. Verbal offers may be reported verbally.

## **10 Services to Prospective Purchasers or Tenants**

- 10.1 It is our practice and intention to offer prospective purchasers or tenants our services (e.g. management of the property) where we consider this will not give rise to any conflict of duty to you. If a prospective purchaser or tenant, prior to the sale or letting, wishes to appoint us to act in such matters, we shall notify you as soon as possible and will not accept such instructions prior to the completion of the transaction without your agreement.

## **11 Money Laundering Regulations**

- 11.1 In accordance with the Money Laundering Regulations 2003, firms engaged in commercial estate agency have a legal obligation to verify the identity of all clients. To this end, we will follow our money laundering procedures and these may require you to provide us with documentation confirming your identity.

## **12 RICS Complaints Procedure**

- 12.1 Flude Commercial operates a complaints handling procedure complying with the standards laid down by the Royal Institution of Chartered Surveyors. This procedure will be made available in written form to the client or to the public upon request.

## **13 Flude Commercial**

- 13.1 Flude Commercial is the trading name for Flude Commercial Limited. Registered in England No. 3287836. Registered office Pavilion View, 19 New Road, Brighton, BN1 1UF.

## **14 General**

- 14.1 These terms are subject to English Law.