

MARKETING REPORT



**116 HIGH STREET
BOSTON**

116 HIGH STREET, BOSTON, LINCOLNSHIRE PE21 8TG

Terms of Reference

Hill and Clark were instructed by Liz Bates of Heritage Trust of Lincolnshire (the current freehold owners of the property) to undertake a brief marketing exercise to establish whether there would be any interest from the private sector in 116 High Street, Boston and to undertake an analysis of the current market for commercial properties in Boston. Specifically the report should include:-

- An appraisal of property and its estimated market value of the property upon completion of the repair and regeneration project.
- An analysis of the current commercial property market in Boston.
- Advertising and marketing of the property to seek expressions of interest from potential buyers with a report on its marketing and interest received.

This valuation is for the confidential use of the Heritage Trust of Lincolnshire, and we understand that it is to be used in advising them in negotiations to sell the property and may be shared with their funding partners' on this project. No responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole nor any part of this report may be published in any way without our approval of the form and context in which it may appear.

Timescale

Formal instructions were given on the 8th November 2011 to proceed to prepare advertising and marketing of the property with a report required back to Liz Bates of Heritage Trust of Lincolnshire by early January 2012.

Location

Boston is a historic and attractive market town situated near the south east coast of Lincolnshire. The town is approximately 120 miles directly north of London and 32 miles south-east of Lincoln. Main road links through the Borough of Boston include the A52 Midlands to coastal route, A17 Newark to Norfolk and the A16 Humber to Stamford route.

Situated on the High Street the property has residential properties to its northerly and southern boundaries. To the rear of the property and to the easterly boundary will be a vehicular and pedestrian access to Edwin Street also a residential area. To the westerly boundary is High Street, an adopted highway with two way traffic from and into the centre of Boston.

Property

116 High Street, Boston is a fine Georgian property currently undergoing major refurbishment and renovation. The property is a grade II* listed building and retains many of its original features being of local and national significance as the first bank in Lincolnshire, established in 1751. The property will benefit from a new rear extension with disability access and vehicular access off Edwin Street to the rear of the site providing access to a parking area. Additionally to the rear of the site will be a single storey block of four individual work units offering modern facilities suitable for a variety of uses. The refurbishment of the original building intends to provide a modern commercial property with spacious offices, ICT infrastructure and disabled access to both ground and by means of an internal lift to the first floor. The property is receiving a comprehensive programme of repair and refurbishment which appears to be of a very high standard and if properly maintained in the future should not require any substantial repairs for some considerable time.

Accommodation.

Ground Floor: Entrance hallways with rear disabled access. Three large offices offering over 86 sq m of floor space. Reception area and two wc's one being disabled plus disabled lift access to first floor.

First Floor: Three large offices offering a further 50.5 sq m of space with kitchenette, two wc's, cleaner and stationery cupboard plus disabled lift access.

Second Floor: Separate ground floor access via stairs with landing to residential apartment offering kitchen/diner, lounge/bedsitting room, en-suite bathroom and small study.

Outside: To the front of the property traditional wrought iron railings are to be installed with a gated side entrance and at the rear a garden area in keeping with the age and style of the property is to be cultivated. A rear entrance will give vehicular and pedestrian access to the new work units and car parking for 8 vehicles. A single storey plant room separate from the main property will be situated at its rear.

The new yet to be built work units will be single storey with pitched slate roof set in a terrace of 4 units with central entrance to two wc's one being disabled access and interview room. Access will be gained to each unit through a double glazed timber door and screen with a covered walkway from each individual unit running the full frontage to the shared central entrance/facilities. Within each unit will be a fitted sink unit.

Features:

This fine Georgian property fortunately retains many of its fine original features including ornate 18th Century Oak paneling to some walls, fully restored stained glass fanlights, windows, door inserts and detailed ornate carving to stairs and landings. The current extensive renovations also reveal some of the original roof timbers and beams, which will be left exposed in the 2nd floor apartment showing the age and character of the building.

The basis of this information being gained from the original brochure, and a site visit on Friday 16th December 2011. The measurements provided accepted but unable to be verified due to the stage of refurbishment at the time.

Restrictive covenants

We understand there are to be restrictive covenants on the sale of the property some of which include:

- A responsibility to keep the building in its repaired state for a minimum of 21 years.
- A requirement to open the building for public access on a minimum of 28 days during each year for a minimum of 21 years.
- A requirement to run the building as a centre for small to medium businesses until 2025.

Town Planning

We have assumed that planning permission and statutory approvals for the buildings and for their use, including any extensions or alterations have been obtained; that no deleterious or hazardous materials or techniques have been used; that the property and its value are unaffected by any matters which will be revealed by a local search, and replies to the usual enquiries or by statutory notice, and that neither the property, nor its condition, not its use, nor its intended use is or will be unlawful.

Tenure

We understand the property is held Freehold, however, we have not inspected the title deeds of the property and accordingly we have assumed in our valuation that there are no onerous conditions, easements, way leaves or similar affecting the property.

Analysis of current commercial property market in Boston

The High Street area of Boston while once being a main route into the town centre had a large number of businesses which over the years has diminished to the point where now the predominate use of the High Street area is that of a residential nature. Previous factory areas such as Van Smirren's fish factory and Swan Street Motor Car Dealership having been demolished and replaced by modern housing. There are however some small and medium size businesses which continue to thrive but are generally more specialist in nature.

Boston itself has over recent years undergone a population surge in foreign workers and while this has led to an increase in small specialised food outlets or businesses offering specific services to a localised market the medium sized and larger businesses have remained reasonably static. From our experience of the commercial market we have only seen those moving whereby they have either downsized or if expanding only when existing premises have become grossly inadequate. A cautious approach from businesses and their

owners with the decision to relocate only being taken when forced or with a definite financial benefit involved. Regionally this is seen across the County with slight exceptions to those areas which have a more accessible road network to the national motorway network or have a larger population, Lincoln being an example of this.

We understand the new single storey business units at the rear of the site have a B1 use for use as offices other than in use within class A2 (financial and professional services), research and development such as laboratories, studios or light industry use. We understand the main building of 116 High Street is a class A2 use being financial services, professional services and principally where services are provided to visiting members of the public. With this in mind the potential end users were viewed as being likely to be office based and offering professional or financial services. Unfortunately what we have seen on a number of occasions in Boston is users of older office premises within the town moving out to newer purpose built office blocks which have covered the professional sector and include solicitors, accountants, architects and financial services. Generally they have moved to Endeavour Park and into purpose built, occupier owned modern office units.

The premises with its large offices plus the single storey work units may provide the opportunity of subletting either part of the whole and/or on a room by room basis. In our opinion we would consider it unlikely an investor purchasing the property solely for this purpose as there is already provision of this service in Venture House, Morgan House and Enterprise House, plus other property occupiers willing to sub let unused offices/areas in order to reduce their running costs. The rent in this instance would need to be higher than to that of a single occupier and take account of possibly including light, heat, building insurance and business rates if not separately metered or self contained. This option would need to take account of a higher risk of void periods and short term tenancies hence a private sector investor on this basis would be looking for a higher return of potentially 10 – 12% gross.

Marketing

The planned marketing was aimed to try and achieve as much attention to anyone currently looking in the commercial market in Boston by having the property advertised on both a local, regional and national basis. Locally the property was advertised in the Boston Target for four consecutive weeks as a full page advert (copy advert attached). A full advert was also placed in the Lincolnshire Echo for one week and it was included on Hill & Clarks commercial property list.

Internet advertising took the form of localised with the Hill and Clark website, regionally with Tractivity and Invest Lincolnshire and nationally via the Rightmove network. Alternative options such as Costar Commercial and Estates Gazette were also considered but found to be financially excessive for this exercise.

The brochures available for would be interested parties was the prospectus prepared by Heritage Lincolnshire – (see copy attached).

Unfortunately due to the nature and extensive work required to the building the scaffold supporting and protecting the building does not allow anyone to see the full extent of the property. Full appreciation of the work being carried out and its new appearance will not be fully appreciated until such time as the scaffolding is removed. At that point local awareness will increase and we would normally expect to see an increase in enquiries if the property was being openly marketed at that time.

Hill and Clark were instructed by the Heritage Trust of Lincolnshire to market the property for offers in excess of £300,000 (Three hundred thousand pounds).

Response

The response to the marketing will have been affected by the time of year and the inability to visually see the improved exterior which was always going to have an effect on a serious response from a potential occupier. We therefore were pleased to note that via Rightmove during the marketing period the property appeared in 6,970 search results with 1,774 people clicking onto the individual page for further details. What we cannot gauge is how much of this interest was genuine.

However, within the office we only received 3 telephone enquiries all from the Boston area and all more interested in the residential aspect of the property rather than its commercially intended use.

Conclusions

This property is extremely individual and assessing its pre completion potential over a limited period of marketing during a difficult economic climate has been a unique and challenging proposal to consider.

High Street is a commercially poor location and locally generally accepted over many years to be a somewhat run down area. Hypothetically had the property been situated in other commercial areas of the town it would warrant a significant uplift upon our quoted valuation figures. The restrictive covenants may still prove a stumbling block for many in the private sector.

We are therefore of the opinion that it may prove difficult to find a private sector buyer on the open market at the present time, for a sum reflecting the size, condition and facilities of this individual property. A timescale is difficult to estimate given the location, covenant and lack of would be investors but a substantial length of time to fully market the property should be allowed.

Valuation

We define open market value as being the best price at which an interest in the property might reasonably be expected to be sold or let at the date of valuation assuming:-

- A willing seller/landlord.
- Vacant possession.
- A reasonable period in which to negotiate the sale, taking into account the nature of the property and the state of the market.
- That values will remain static during that period.
- That the property will be freely exposed to the open market.
- That no account of any additional bid by a purchaser with a special interest

Freehold Sale: We are of the opinion that on the open market at the present time a reasonable valuation would be in the region of £275,000 (two hundred and seventy five thousand pounds). With an asking price up to £295,000 (two hundred and ninety five thousand pounds) as a starting figure.

Lease: We are of the opinion that on the open market at the present time a reasonable valuation would be in the region of £18,500 (eighteen thousand five hundred pounds) for the site in its entirety, let to a single user.

The site has a number of options to sublet individual parts which would optimise the potential rental return of the site as a whole, should a single user not require full use/occupancy. This option however would need to consider void periods and additional marketing / managing costs.

From our investigations into comparable market evidence this property is truly an individual and one off opportunity. It proved difficult to assess a potential buyer/tenant value of the original and many unique features over and above the hard business reality of useable commercial floor areas. The restrictive covenants also potentially have a negative effect on a private sector buyer/tenant.

Hill and Clarks valuation figures have all been based on the figures and dimensions supplied by Heritage Trust of Lincolnshire from the original brochure and have not been confirmed due to not being able to gain access to all rooms and physically measure the commercially useable floor area.

Condition

This is a market appraisal and valuation only and is not a structural survey, either in part or in whole and must not therefore be construed as such. No inspections have been made of parts which are covered, un-exposed or inaccessible, and we are therefore unable to comment that such parts of the property are free from defect.

Taxation

We understand that Heritage Lincolnshire has taken an option to tax on the property however the valuation excludes any allowance for Capital Gains or other tax, the valuation does not reflect the cost of realisation, and is exclusive of any aspect of VAT, which may or may not apply to the disposal of such premises under current legislation.

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Signed Dated

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