

FORMER ABBEY CINEMA MARKETING ADVICE



**PREPARED FOR
LIDL GB LIMITED**

Lidl GB Ltd
Eastgate Way
Manor Park
Runcorn
WA7 1NT

For the attention of Faye Heeley

In accordance with your instructions, we have inspected the upper floors of the above property and have set out below our thoughts and advice regarding marketing.

INTRODUCTION TO HITCHCOCK WRIGHT & PARTNERS

Hitchcock Wright & Partners are a Liverpool based firm of chartered surveyors and commercial property consultants. Hitchcock Wright & Partners are a multi-disciplined practice with over 150 years collective experience within the North-West property market. The firm was established in 1991 and is a founding member of the Merseyside Property Forum. We have a varied private and public client base including institutional investors and property companies. We undertake all aspects of commercial agency, professional and investment work. Recent awards include Estates Gazette Deals winner 2013 & 2014, Estates Gazette Deal Maker 2014, 2016 and 2019, and Your Move Best Commercial Agency winner 2014, 2015 and 2016.

Hitchcock Wright & Partners have been marketing commercial property in Wavertree for over 20 years.

SITE DESCRIPTION

The premises comprise an art deco building on the corner of Church Road North and Childwall Road. A large off-street car park is located at the front of the building, to which access is gained off Church Road North. Pedestrian access is possible from both Church Road North and Childwall Road. Co-op supermarket occupied the ground floor of the building, whilst the upper ground and first floor were occupied by Riley's Snooker Club. The main entrance to the upper floors is gained from the Church Road North elevation of the building, although we accessed via the ground floor retail unit when we inspected.

The premises comprise a former cinema which was converted a number of years ago for retail use with leisure uses on the upper floors. The car park provides spaces for circa 65 vehicles

The property is located in the primarily residential area of Wavertree, with houses immediately to the south and east of the site. The property is also within Wavertree High Street District Shopping Centre and Wavertree Village Conservation Area, which extend to the west.

The property was constructed in 1939 and the cinema closed in 1979. Although a local landmark with an internal domed ceiling of architectural merit, the interior of the building has undergone substantial deterioration and in our opinion the building is uneconomical and commercially obsolete.

Based on the rating assessment, the upper floors of the property extend to approximately:

Ground Floor Entrance	432.7 sq.ft
First Floor	4,622.0 sq.ft.
Second Floor	5,538.0 sq.ft.
Total	10,592.7 sq.ft.

RELEVANT PLANNING HISTORY

Planning application (06F/0536) – Recommended for approval by the Planning Manager was refused by the Planning Committee on the 4th July 2006 to vary Condition 4 attached to planning permission (05F/3678) to use the vacant bingo club as a snooker and pool club, so as to extend the hours of opening to 24-hours a day, for a temporary period.

Planning permission (05F/3678) - Granted by the Planning Committee on the 7th February 2006 to change the use of the vacant upper ground / first floor Gala Bingo club to a snooker & pool club, and to extend the opening hours to allow use from 07.00 to 24.00 (midnight).

CONDITION

The upper floors are in a very poor condition and will require substantial capital expenditure to return them to a habitable condition. Given the nature of the property and its original use, the floors have significant constraints with regards to future commercial use. There are two floors, but they are arranged over split-levels, which will not suit most businesses. We also understand that there is asbestos present, which will further increase refurbishment costs.

MARKET COMMENTARY

The coronavirus pandemic has seen consumer demand collapse and many businesses forced to close or significantly reduce operations. However, the likely extent of the economic contraction is being continuously revised, reflecting the difficulties in limiting the spread of the virus and the lack of reliable data as businesses are increasingly unable to complete regular surveys. The coronavirus pandemic will affect all aspects of the UK property market. 2019 Economic data is now too historic to matter.

The scenarios set out reflect a set of economic forecasts produced in a period of significant uncertainty. As a result, they are liable to change as circumstances unfold.

In general, we can expect the pandemic to affect the property market in a number of ways:

- General uncertainty will weigh on consumer sentiment.
- Restrictions on people's ability to go about their day-to-day business will impede normal agency, lending and conveyancing processes.
- Stock market falls will make people feel less secure about their personal financial situation; and
- A negative impact on earnings, employment and wealth generation.

The UK Government has responded with extensive support for the economy and businesses, including liquidity injections, grants and low-cost loans for the most exposed sectors of the economy and encouraging lenders to take a benevolent approach to those struggling with mortgage payments. This should help reduce some of the pandemic's impact, enable a swift economic recovery and limit the number of households forced to sell.

The end to the nationwide lockdown has seen output gradually pick up across sectors. However, uncertainty about progress in combating the pandemic and a second wave this winter is causing major spending decisions to remain on hold. Workers are losing their jobs at a startling rate. Latest statistics show unemployment at 4.1% and this is expected to rise further when the Job Retention Scheme ends.

The shape of the UK economic recovery is increasingly looking “tick-shaped”, starting with strong quarter-on-quarter growth in Q3 2020, though with 2021 not showing a recovery of the magnitude of the fall that will have been seen in 2020. New national restrictions will have an effect on growth in Q4. Consumers and businesses are expected to remain cautious for the remainder of the year.

Unemployment is not expected to return to 2019 levels at any point in the next five years. High levels of unemployment do drag on consumer sentiment, boost precautionary saving and hence diminish retail and leisure spending.

Current forecasts now account for the base rate cut to 0.1% announced by the Bank of England in March. Oxford Economics predicts rates will remain at this level until Q3 2021 and only reach 1.5% by the end of 2024.

Commentators expect to see a modest growth slowdown due to Brexit in the first quarter of 2021 as businesses adapt to new procedures, however a no-deal scenario carries bigger risks for the UK. A disruptive switch to trade on World Trade Organization based rules, for example, could bring about a small contraction in GDP in the first quarter of 2021, with growth for the full year down to 6.7%. Further risks associated with a no-deal include quotas being placed on UK goods exported to the EU, while UK service providers would be treated as third country providers and would have significantly reduced access. A no deal scenario would also likely harm the relationship between the UK and the EU, at least in the short term, with potential negative impact on other aspects (e.g. security co-operation) and on market sentiment. We expect there would be some mitigations introduced by both sides to manage the disruption at least for the first year – similar to what was proposed prior to the Withdrawal Agreement being agreed in 2019 – but these will be unilateral and would not cover all areas of disruption.

The constraints of the property are:

- Little or no natural light
- Poor condition
- Split levels (due to stadium seating associated with cinema properties)
- Low value area
- Poor demand for commercial/leisure use
- Significant ongoing repair and maintenance costs

The type of operators who may consider upper floor accommodation in a location like this would include:

- Snooker halls
- Gyms
- Community Groups
- Dance schools
- Martial arts clubs

Given the poor natural light, a snooker hall would appear to be the ideal tenant, but the previous operation has obviously not been a success. We do not believe that the split-level nature of the accommodation would suit gym use, dance schools or martial arts clubs. The poor natural light and the configuration of the accommodation would not lend itself to community use. If you were successful in finding a tenant, and we have serious reservations about you being able to do so, it is likely to be a local businesses of questionable covenant strength.

The suggested businesses would typically not pay a level of rent that would justify a significant capital outlay. We would suggest the maximum that could be achieved would be £3.00 to £4.00 per square foot, assuming that the property is in good order. In our opinion, the cost of refurbishing the property and undertaking any essential repairs would be at least £500,000, exclusive of vat, fees etc. The likely rental return, even if you were successful in securing a tenant, would not justify that level of expenditure in this area.

Although we do not believe that the property would be ideally suited to any particular use, an example of a transaction on upper floor accommodation is a taekwondo club who have agreed to take the first floor of Glenn Building South, Crosby. The accommodation is 2,261 square feet and has been refurbished. The agreed rent is £16,000 per annum on the basis of a six-year lease with three years at half rent and three months rent free. The net rent is £5.00 per square foot. This is in a superior location, the accommodation has been fitted to a good specification and it provides clear useable accommodation, far superior to the subject property.

With regards to alternative/non-commercial properties, a church in Liverpool 13, extending to approximately 3,500 square feet, was let in May 2017 at the equivalent of £3.77 per square foot.

A brief search on the Zoopla website shows availability of commercial premises in Wavertree of 70,793 square feet. Clearly, there are more suitable premises available in close proximity.

CONCLUSION

There is limited demand for commercial premises in the area and the level of rent for leisure or community use, and the likely lengthy marketing void and rental concessions required, does not support refurbishment or redevelopment of the existing building. There are many alternative properties available in Wavertree that are more efficient and practical.

Uncertainty surrounding Brexit, the UK economy and potential lockdowns further inhibits commercial development on the site.

In our opinion it would prove almost impossible to find a tenant for the property. We are not aware of any former cinema properties being leased for commercial use. The former ABC, Lime Street has been vacant for many years because of redevelopment costs and the constraints of the building, similar to those of Abbey. The Futurist cinema, Lime Street was also empty for many years, before being demolished last year. The former Regal Cinema in Norris Green is another example of a redundant former cinema property.

The general upkeep and maintenance of the upper floors of the property will be an ongoing and increasing liability in the medium to long term, even following refurbishment. Whilst we appreciate that the property is a local landmark, in our opinion it is obsolete and would be better off demolished to allow for a new modern development, In the same way that the former Carlton Cinema in Tuebrook was demolished. Retaining the building does not make financial sense. We firmly believe that there is no market for the upper floors of the property.

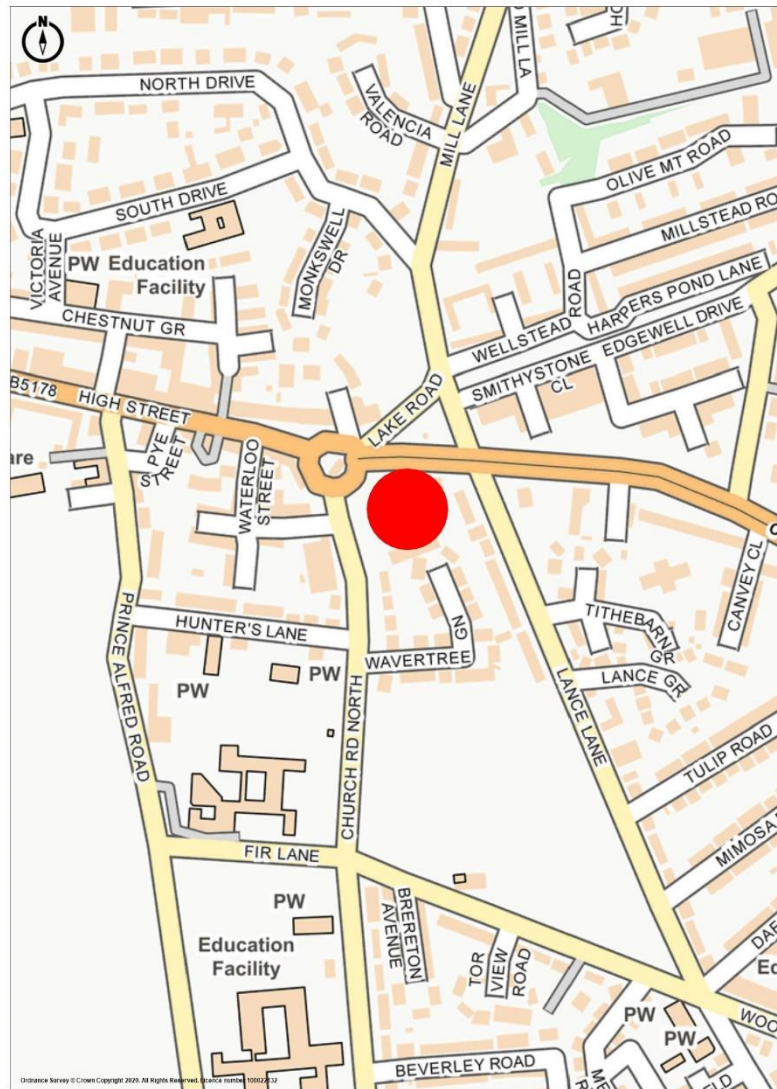
APPENDIX 1

LOCATION PLAN



Promap v2
LANDMARK INFORMATION

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Licence number 100022432.
Plotted Scale - 1:75000. Paper Size - A4



APPENDIX 12

PHOTOGRAPHS









