



61-63

LONDON ROAD

REDHILL RH1 1NA

PRIME MULTI-LET SOUTH EAST TOWN CENTRE OFFICE INVESTMENT

Executive Summary

- 61-63 London Road is a **prestigious South East town centre multi-let office building**
- A **comprehensive redevelopment** of the building has just been completed to provide future proofed Grade A accommodation
- Benefits from **excellent multi-modal communication**, with Redhill mainline train station within a short walk, the M25 motorway within only 2 miles and London Gatwick airport within 7 miles
- SE town centre office markets are characterised by **low vacancy rates, strong occupational demand** and limited new development leading to **strong rental growth prospects**
- Let to **Travelers Management Limited** (D&B rating of 4A1) and **PSA Finance UK Ltd** (D&B rating of 5A1) on FRI leases
- **Long unexpired lease term** of **12.38 years** to expiry and **9.79 years to break**
- **Total office accommodation of 51,839 sq ft** over ground and three upper floors designed for easy flexibility and sub division
- Excellent car parking ratio with 209 car parking spaces, (1:248 sq ft)
- Total current rental income of **£1,470,641 per annum**
- **Average passing rent of only £28.75 per sq ft** with prime Redhill rents of £31.00 per sq ft
- We are instructed to seek offers in excess of **£22,960,000** (Twenty-Two Million, Nine Hundred and Sixty Thousand Pounds) subject to contract and exclusive of VAT for our client's freehold interest. **Low capital value of only £443 per sq ft**
- A purchase at this level reflects a **6.00% Net Initial Yield** assuming purchasers costs of 6.754%





Location

Redhill, together with neighbouring Reigate have a thriving population of 61,000 people and a strong supply of employment talent with a low unemployment rate of 0.5%, compared to a national average of 4.7%, (Office for National Statistics).

The main sector of employment within the town is the Finance and Business Service Sector, which account for close to 40% of jobs in the area. This can be seen in the types of occupiers attracted to the town including Towers Watson, AXA Assistance UK Limited, Lombard Finance Group, Santander and AON Risk Services. These companies benefit from the strong labour pool and the excellent connectivity by rail to the City of London, Europe's main financial centre.

Road

Redhill is located only 20 miles south of central London, only 2 miles east of the affluent town of Reigate. The town benefits from excellent road links, within 2 miles of junction 8 of the M25 and 3 miles from junction 8 of the M23. The A24 is 6 miles to the west.

Rail

Redhill is a thriving commuter town with quick and easy rail access to the West End (Victoria) and the City (London Bridge). At peak times there are six trains per hour to Victoria and London Bridge with a fastest journey time of only 28 minutes. London Gatwick airport is within a very short distance with frequent train services taking only 8 minutes.

Air

London's main airports are within easy reach with London Gatwick 7 miles to the south and London Heathrow 26 miles to the north west.

Redhill is an established office location, an affluent commuter hub and the principal commercial hub for the southern section of the M25

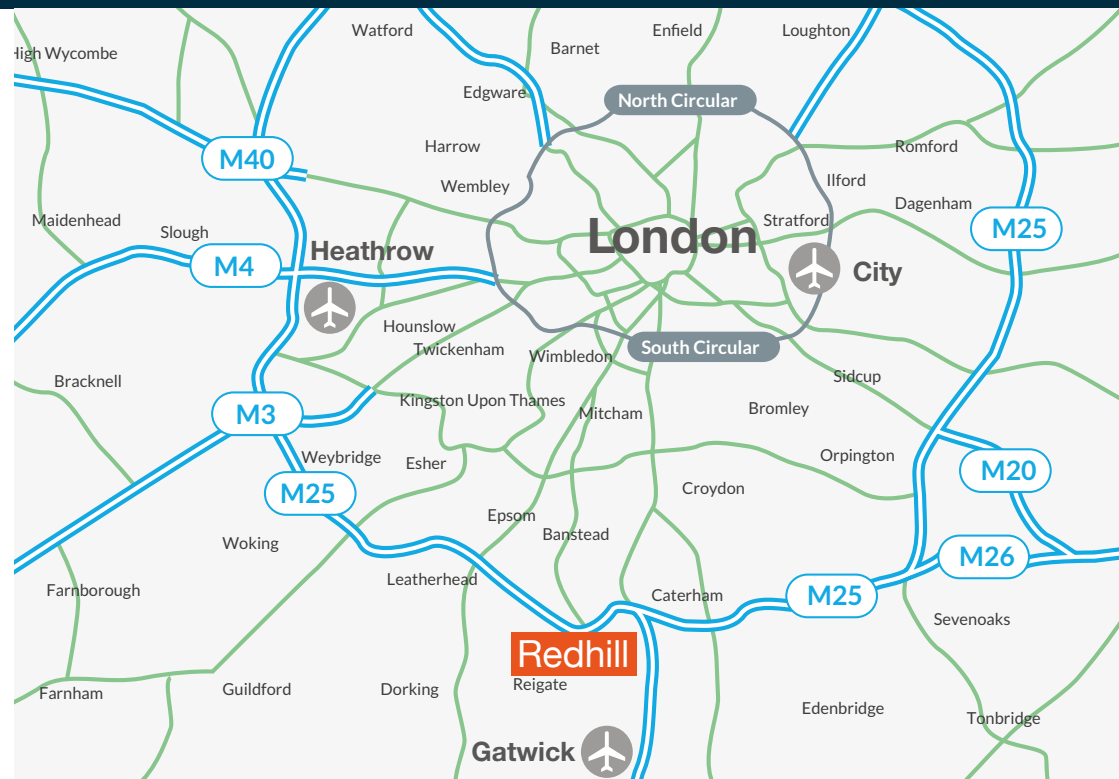


Situation

61-63 London Road is prominently situated on London Road (A23) overlooking Redhill Memorial Park, within the heart of Redhill town centre and within the town's main office pitch. The main town centre amenities including the Belfry Shopping Centre, The Harlequin Theatre and Cinema complex can all be reached on foot within a matter of minutes, together with Redhill mainline train station and bus station.

Road

Redhill Mainline Station	400 metres
M25 J8	2 miles
Gatwick Airport	7 miles
Central London	20 miles
Heathrow Airport	26 miles



Redhill Memorial Park



The Harlequin Theatre and Cinema



Redhill Regeneration

The town centre of Redhill is being transformed by the significant investment from public and private sector initiatives. Reigate & Banstead Borough Council have been proactive and are working with commercial developers to regenerate strategic sites within the town

A new £50m redevelopment of **Redhill station** has been approved by the council which will be anchored by a new 25,000 sq ft Waitrose store, additional retail and also the development of 150 new homes. The station will have 450 new car parking spaces to complete the regeneration.

A new Sainsbury's store has been completed at the prominent, **Warwick Quadrant** development. This also includes 560 new car parking spaces, a new Travelodge hotel and gym together with the redevelopment of the existing Harlequin theatre and Redhill Library.

In addition, the proposed **Marketfield Way redevelopment** has been granted planning permission for a mixed use leisure scheme to include a multiplex cinema, new café and restaurants, 10 retail units and 153 apartments.

This investment into the town centre will enhance Redhill's location as an affluent commuter centre, and will help retain existing employers whilst attracting new high profile occupiers to the town.



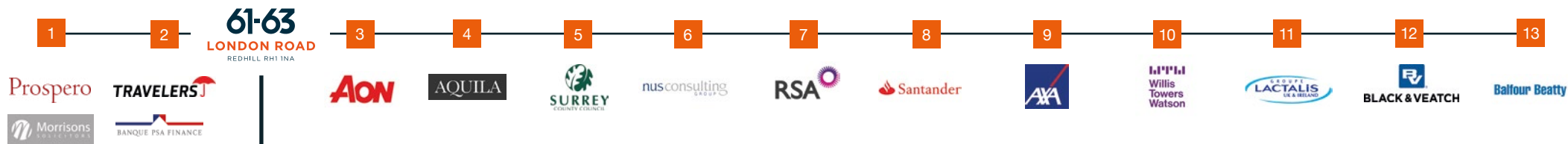
Proposed Redhill Station Redevelopment



Sainsbury's Store Warwick Quadrant



Proposed Marketfield Way Redevelopment



A Future Proofed Building

61-63 London Road has been subject to a comprehensive redevelopment to provide modern Grade A offices designed by Hale Architecture

The building has been optimised for modern working practices which has facilitated long term commitment to the building by Travellers and PSA Finance. Externally the building has benefitted from an architecturally striking new glazed entrance façade and external landscaping. All of these improvements have made the building more modern, attractive and prominent to London Road.

The building is configured as two separate wings set around a central atrium and is of reinforced concrete frame construction with red brick elevations under tiled pitched roofs. The windows are double glazed and benefit from aluminium powder coated frames. The reception and office accommodation have been redesigned and reconfigured to suit the modern occupier with excellent natural light and flexibility. The total car parking provision of 209 car parking spaces provided both at surface and basement level, equating to an excellent town centre car parking ratio of 1:248 sq ft.

Specification

- New VRV heating and cooling system
- Occupational density of 1 person per 8 sq m
- New metal tiled suspended ceiling
- New recessed, energy saving LED light fittings
- New electrical sub metering at every floor level
- New male, female and disabled toilets throughout
- New passenger lifts
- Provision of 30 new cycle racks and new shower facilities



Accommodation (IPMS3)

The accommodation has been measured by Pure Real Estate Services Limited on an IPMS 3 basis.

Demise	Area (sq ft) (IPMS 3)	Tenant
North Wing		
Third Floor	4,466	Travelers Management Limited
Second Floor	7,117	Travelers Management Limited
First Floor	7,055	Travelers Management Limited
Ground Floor	6,941	Travelers Management Limited
Sub Total	25,579	
South Wing		
Third Floor	4,464	PSA Finance UK Ltd
Second Floor	7,121	PSA Finance UK Ltd
First Floor	7,053	PSA Finance UK Ltd
Ground Floor	6,939	Vacant
Sub Total	25,577	
Reception	683	
Total	51,839	

Car Parking

The building benefits from a total of 209 car parking spaces (1:248 sq ft) and 30 cycle racks in the basement car park.

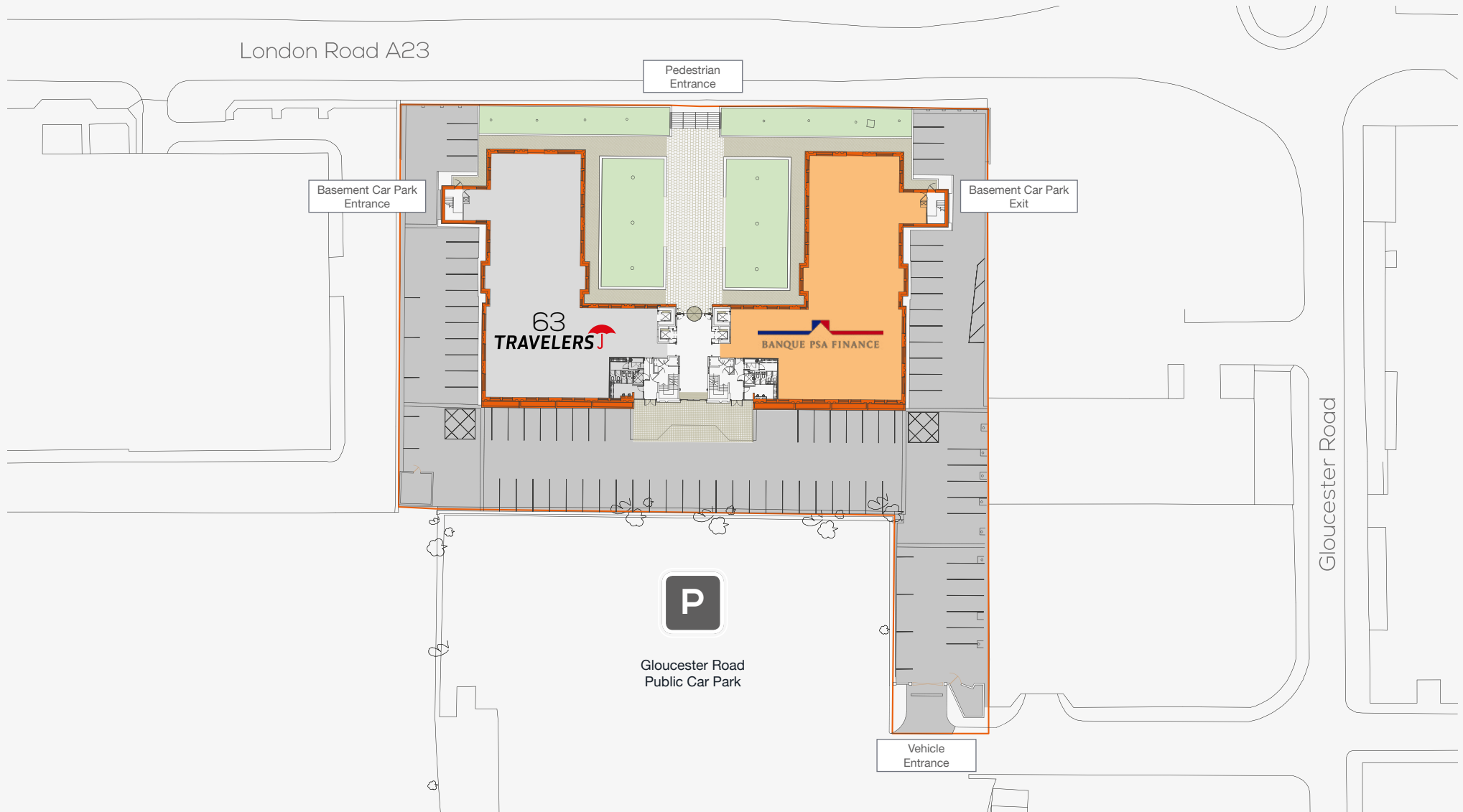
Tenure

The property is to be sold Freehold and extends to approximately 0.59 hectares (1.47 acres).



Ingress and egress to the car parking is provided by a right of way into perpetuity and for all purposes over the access road hatched blue on the below plan.



Site Plan



Tenancy Schedule

Building	Demise	Tenant	Area sq ft (IPMS 3)	Lease Start	Break Option	Lease Expiry	Next Review	Passing Rent	Passing Rent (per sq ft)	Comments
North Wing* TRAVELERS 	Third Floor	Travelers Management Limited	4,466	05/11/16	05/11/22	04/11/27	05/11/21	£130,471	£29.21	Rent free period to 3rd September 2017, to be topped up by the vendor. The tenant has the benefit of a total of 107 car parking spaces across both leases.
	Second Floor First Floor Ground Floor	Travelers Management Limited	21,173	05/11/16		04/11/27	05/11/21	£607,734	£28.70	Rent free period until 3rd June 2018, to be topped up by the vendor. If the Tenant does not exercise the break option, they shall receive an additional 3 months' rent free.
Sub Total			25,579					£738,205		
South Wing  BANQUE PSA FINANCE	Third Floor Second Floor First Floor	PSA Finance UK Limited	18,638	07/06/17	07/06/27	06/06/32	07/06/22	£534,674	£28.69	Rent free period until 6th of June 2019, to be topped up by the vendor. If the break clause is not exercised then a further 6 months rent free will be granted at the break date. The tenant has the benefit of 77 parking spaces
	Ground Floor	Vacant (Rent Guarantee)	6,939					£197,762	£28.50	The Vendor will provide an 18 month rent, business rates and service charge guarantee. This area is allocated 25 car parking spaces.
Sub Total			25,577					£732,436		
	Reception		683							
Total			51,839					£1,470,641	£28.75**	

* The North Wing is demised by two leases – one lease in respect of the Ground, First and Second Floors and the other lease in respect of the Third Floor.

** Excludes Reception Area

Covenant



PSA Finance UK Limited – (01024322) D&B Rating 5A1

PSA Finance was previously known as Peugeot Financial Services and is a joint venture between Banque PSA Finance SA and Santander Consumer (UK) plc, whose principle line of business is financing the sale of Peugeot vehicles. They have produced the following recent accounts below:

	Fiscal Non consolidated GBP 31 Dec 2015 (000's)	Fiscal Non consolidated GBP 31 Dec 2014 (000's)	Fiscal Non consolidated GBP 31 Dec 2013 (000's)
Sales Turnover	202,485*	25,155	20,742
Profit / (Loss) Before Taxes	60,548*	92,255	7,281
Tangible Net Worth	272,088*	100,603	9,901
Net Current Assets (Liabilities)	530,205*	100,603	(59,934)

*The increase in turnover is from the merging of Banque PSA Finance SA and Santander Consumer (UK) plc in February 2015.



Travelers Management Limited – (00972175) D&B Rating 4A1

Travelers Companies are an American insurance company and a leading provider of insurance products with in excess of 30,000 employees across the globe. The Travelers Companies, Inc. is a leading provider of property liability insurance for motor, home and business. The Group has more than 30,000 employees and operations in the United States, Canada, UK and Ireland, and through a joint venture in Brazil.

The group has total assets of approximately \$103 billion and shareholders' equity of approximately \$25 billion as of December 31, 2014. Total revenue of approximately \$27 billion in 2014. Their European based operations offer customers a wide range of coverage through Travelers Insurance Company Limited, Travelers Syndicate Management Limited (Syndicate 5000 at Lloyd's), and Travelers Underwriting Agency Limited.

They have produced the following recent accounts below:

	Fiscal Non consolidated GBP 31 Dec 2015 (000's)	Fiscal Non consolidated GBP 31 Dec 2014 (000's)	Fiscal Non consolidated GBP 31 Dec 2013 (000's)
Sales Turnover	128,387	126,403	124,170
Profit / (Loss) Before Taxes	5,620	6,743	5,302
Tangible Net Worth	17,197	10,770	13,144
Net Current Assets (Liabilities)	10,701	6,923	3,060



Occupational Market Overview

Occupational interest in South East offices has remained strong with take up figures ahead of the equivalent period last year and ahead of the long-term 10-year average

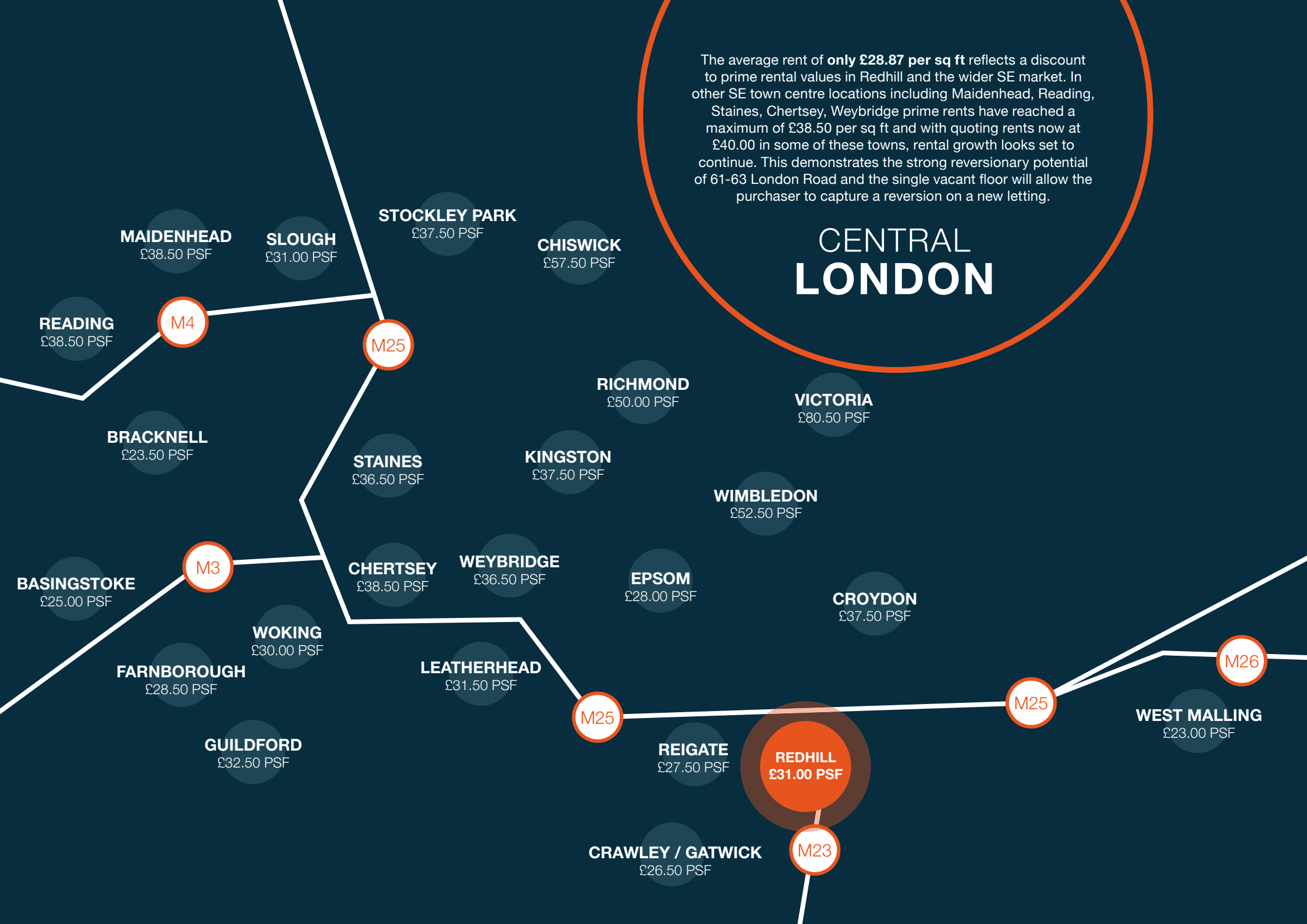
In 2016 the SE office market recorded the highest level of take up for 3 years and vacancy rates remain well below historical levels. Redhill is a centre that has seen Grade A vacancy levels drop to the lowest level seen for decades, with one of the smallest office development pipelines in the SE and an increasing number of buildings being converted to residential. Therefore, we predict the market dynamics will lead to strong rental growth. The town has also benefitted from the recent trend of decentralisation from central London as occupational costs in the capital continue to rise.

Headline rents in Redhill currently stand at £31.00 per sq ft following the letting to Morrisons Solicitors at Prospero in March 2017. Prospero was the first new office building to be speculatively developed in Redhill in this cycle illustrating developers confidence in the town. We anticipate that further lettings will be secured in this building in the next quarter at increased headline rental levels. The lack of stock, positive occupier sentiment, and investment into the town centre will help drive rents in both Grade A and B buildings within Redhill.

Date	Company	Address	Size (sq ft)	Rent (£ psf)	Grade	Term (break)
Mar-17	Morrisons Solicitors	Prospero, Redhill	10,765	£31.00	A	10 years
Feb-17	INC Research	Farnborough Business Park	49,000	£27.00	A	11 years
Dec-16	Rohest McAlpine	Midas, Woking	5,000	£28.50	A	10 (5) years
Nov-16	Opus Business System	London Court, Redhill	9,353	£24.50	B	10 (5) years
Nov-16	IMG	Kingsgate, Redhill	3,500	£22.50	B	10 (5) years
Nov-16	Towergate	Interchange, Croydon	10,700	£28.50	A	10 (5) years
Oct-16	Deutsche Leasing	Omnibus, Redhill	10,015	£25.50	B	15 (7) years
Sep-16	Black and Veatch	Red Central, Redhill	23,000	£23.50	B	10 years
Aug-16	Vitality Health	Interchange, Croydon	7,500	£28.00	A	10 (5) years
Aug-16	Iress	Mole Business Park, Leatherhead	6,436	£28.50	A	10 years
July-16	ISS	Velocity Weybridge	25,455	£34.00	A	10 years
June-16	Enstar (EU) Ltd	Guildford Business Park	17,458	£32.00	A	10 (5) years
May-16	Hanesbrand UK Ltd	6 Church Street West Woking	7,677	£27.50	B	10 (5) years

The average rent of **only £28.87 per sq ft** reflects a discount to prime rental values in Redhill and the wider SE market. In other SE town centre locations including Maidenhead, Reading, Staines, Chertsey, Weybridge prime rents have reached a maximum of £38.50 per sq ft and with quoting rents now at £40.00 in some of these towns, rental growth looks set to continue. This demonstrates the strong reversionary potential of 61-63 London Road and the single vacant floor will allow the purchaser to capture a reversion on a new letting.

CENTRAL LONDON



Investment Market

The strong occupational market fundamentals have been reflected in the weight of money looking to invest in the South-East office market with investor demand still generally outweighing supply across the board

The SE Office Investment Market saw a marked improvement in activity towards the end of 2016 as market conditions normalised. A handful of large transactions ensured long term investment volumes were maintained and by the end of 2016 over £3 bn of SE Offices had been transacted – well above the 10 year average of £2.6bn pa.

The continued success of the SE office investment market can be attributed to the strength of investor demand for this sector across the investor classes. Strong occupier demand, agglomeration to town centre amenities, lack of new Grade A supply, and depletion of existing supply through PDR conversion, have captured investor appetite. These market factors have inevitably led to low overall vacancy rates and significant rental growth.

The appeal of this sector looks set to continue with only the potential shortage of quality investment product limiting the investment volumes. This building therefore represents a rare commodity in the current market, being a new Grade A building with long term income let to undoubted covenants in a sustainable town centre location favoured by modern business practices. We have had regard to the latest investment transactions completed in the SE office market:

Date	Address	Tenant	Term Certain	Price (m)	Capital Value (psf)	NIY
Under Offer	Hays House, Guildford	Multi-Let	4.11	£9.95	£545	4.90%
Jan-17	Chiswick Green, Chiswick	Viasat	11.36	£67.00	£814	5.10%
Dec-16	Hitachi House, Staines	Hitachi	10.40	£10.20	£519	5.06%
Dec-16	Centrica HQ, Windsor	Centrica	10.00	£56.25	£467	5.71%
Nov-16	Cityview, Brighton	Multi-let	8.10	£14.80	£461	5.50%
Nov-16	Compass House, Chertsey	Compass Group	16.00	£25.15	£447	5.50%
Nov-16	Oxfam, Oxford Business Park	Oxfam	8.50	£30.64	£350	5.15%
Nov-16	64 Clarendon Road, Watford	TK Maxx	19.75	£27.00	£403	5.52%
Oct-16	2 Longwalk, Stockley Park	Suntory	8.70	£23.75	£487	5.98%
Sep-16	8 Bedford Park, Croydon	Superdrug	10.00	£25.40	£480	5.20%
Aug-16	Wey House, Guildford	Stevens & Bolton	10.50	£22.65	£492	5.10%
Apr-16	Abbvie House, Maidenhead	Abbvie	11.50	£24.40	£438	5.42%

Investment Rationale

61-63 London Road provides a rare opportunity to purchase a long let, redeveloped Grade A building with reversionary potential in a strong SE town centre office market

- The two tenants have recently committed to long lease terms
- Travellers, have been in occupation of the building for over 25 years
- The building is a core asset with strong rental growth prospects in a town centre location which is favoured by the occupational market
- Redhill's improving town centre amenities and strong transport links allow occupiers to recruit and retain the best staff
- These fundamentals will ensure that the building is well placed for the future
- The building has seen significant capital expenditure over the last 12 months and the building is future proofed for a new owner
- The asset enjoys excellent real estate fundamentals, strength and longevity of income with limited capital expenditure requirements

Environmental

WSP Group has undertaken a Phase I Environmental Assessment and rated the property with a "low/medium risk". A copy of the Assessment is available on the data site link the benefit of the report assignable to a purchaser.

EPC

The building enjoys an EPC rating of B48 and a copy of the certificate can be found on the data site.

Warranties

A full suite of warranties will be assigned to the purchaser.

Data Room

Access to the data room is available upon request.

VAT

We understand that VAT will be payable on the purchase price and the sale can be treated as a Transfer of Going Concern.

Proposal

Offers are sought in excess of **£22,960,000** (Twenty-Two Million, Nine Hundred and Sixty Thousand Pounds) subject to contract and exclusive of VAT which equates to a **low capital value of £443 per sq ft**. A purchase at this level reflects a **Net Initial**

Yield of 6.00% after allowing for purchaser's costs of 6.754%.

Contact

For further information or to arrange an inspection please contact:



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