

# Multi-let Town Centre Office Investment For Sale



DAVID BAROUKH ASSOCIATES

KINGS CHAMBERS, QUEENS ROAD  
COVENTRY

## INVESTMENT SUMMARY

- Purchase price of £2,700,000.
- Net initial yield of 7.7%.
- Freehold.
- 11 self-contained office units.
- Total net internal area of 1,968.69 sq m (21,191 sq ft).
- Low capital value of £1,367 per sq m (£127 per sq ft).
- Opportunity for break-up and re-sell to owner occupiers and investors.
- Residential / student accommodation conversion potential.

## LOCATION

Coventry is situated approximately 41.0 kilometres (25.0 miles) south-east of Birmingham, 39.0 kilometres (24.0 miles) south-west of Leicester and 176.0 kilometres (110.0 miles) north-west of London.

The city of Coventry is a vibrant and multi-cultural location. The city centre is represented by four shopping centres, various historical places of interest and two major universities. Current public and private investment is estimated to be in the region of £4 billion. One of the proposed schemes is the Phoenix Initiative which will link Coventry Cathedral to The Museum of British Road Transport via a series of civic squares, gardens and specialist retail parades. These various schemes, once completed, will further increase the city's prominence in the West Midlands.

Coventry has traditionally relied on its strong industrial background with particular emphasis on automotive engineering industries; Jaguar, Peugeot, Rolls Royce and other car manufacturers are still responsible for approximately 25% of the city's employment. In recent decades, however, Coventry has adapted to the changes in technology and now accommodates businesses in the IT, telecommunications and research and development industries. Furthermore, the Government's commissioned Lyons' Report recommended Coventry as a priority location for re-location of technical specialists and policy makers.

Source: [www.coventry.gov.uk](http://www.coventry.gov.uk)

## DEMOGRAPHICS

Coventry has an urban district population of approximately 300,000 (2001) and a population of some 900,000 within 12 miles of the city centre.

With regard to social economic data, 69.2% of residential property in Coventry is owner occupied compared to the UK percentage of 68.9%. In addition, 44.2% of households have a car compared to 43.8% of households throughout the UK.

Source: Census 2001.

## COMMUNICATIONS

Coventry benefits from excellent communications; The city is served by an inner ring road which defines the main commercial centre. The main arterial routes into the city are the A444 from the north, the A46 and A423 from the south and the A45 which runs east-west along the southern section of the ring road.

With regard to the national motorway network, the city is located approximately 3.2 kilometres (2.0 miles) from both Junctions 2 and 3 of the M6 motorway. Approximately 19.2 kilometres (12.0 miles) east of the M6 is the M1 at Junction 19 which provides access to Leicester in

the north and to London in the south. Approximately 20.8 kilometres (13.0 miles) west of the M6 is Junction 7 of the M42. The M42 leads northwards to the M1 and southwards to the M40 and London.

The West Coast mainline provides regular services to a variety of national locations. There are regular services to London Euston with a fastest journey time of approximately 1 hour and 10 minutes.

Coventry Airport provides frequent flights to both national and European destinations and is approximately 5.7 kilometres (4.0 miles) south of the city centre. Birmingham International Airport provides frequent flights to both national and international destinations and is approximately 17.6 kilometres (11.0 miles) west of the city centre.

## SITUATION

The building occupies a prominent position on the north side of Queens Road and the south side of Hertford Place. Situated at the eastern end of Queens Road, the property is adjacent to the south-western section of the city's inner ring road (A4053). Access to Queens Road is provided via Butts Road (B4101).

Queens Road is a mix of commercial and residential buildings and is situated within a few minutes walk of the heart of the city centre and its retail facilities. The city's main railway station is approximately 0.3 kilometres (0.2 miles) south-east of the property whilst the city's main bus station is approximately 1.3 kilometres (0.8 miles) north east of Queens Road.

## DESCRIPTION

Kings Chambers was built in the late 1980s of a concrete frame construction with brick elevations, double-glazed windows and a mansard roof.

The property comprises 11 self-contained office units designed in a V-shape around a central courtyard providing car parking. The units are arranged over ground and two upper floors.

The office accommodation is of a good standard benefiting from perimeter trunking, fluorescent lighting and central heating. In addition, each unit benefits from a kitchen area and male and female toilets.

## ACCOMMODATION

We have been advised that the building provides a total net internal floor area of 1,969 sq m (21,191 sq ft). In addition, the property benefits from 21 car parking spaces providing a ratio of 1:93.8 sq m (1:1,009 sq ft) Please see the tenancy and accommodation schedule.

## TENURE

Freehold.

## TENANCIES

The investment is multi-let on full repairing and insuring leases producing a total income of £219,866 per annum. Please see the tenancy and accommodation schedule.

## COVENANT

Covenant	Date of Accounts	Turnover	Pre Tax Profit	Net Assets
Harold Crowther Associates Ltd	31/03/05	-	-	£411,254
Dalkia Utilities Services Plc	31/12/04	£104 million	£4.4 million	£18.7 million
Central Public Relations		Accounts not available		
Protocol Skills Ltd	30/06/04	£36.6 million	£1.0 million	£7.6 million
Amalgamated Engineering Union Trustee Ltd		Accounts not available		
Reliance Mutual Insurance Society Ltd	31/12/04	£593 million	-	£1 billion
MKD Holdings Ltd (t/a Moben Kitchens Direct Ltd)	31/12/03	£103 million	(£2.0 million)	£8.8 million



## TENANCY AND ACCOMMODATION SCHEDULE

Floor / Unit	Tenant	Accommodation sq m	Accommodation sq ft	Rent PA (per sq ft)	ERV	Review	Expiry	Unexpired Term(yrs)	Comments
A	Harold Crowther Associates Ltd	130.62	1,406	£12,650 £ 9.00	£14,763 £10.50	01-Mar-2010	28-Sept-2011	6.00	Break option on 1st March 2010
B	Harold Crowther Associates Ltd	130.90	1,409	£15,000 £10.65	£ 14,795 £ 10.50	29-Sep-2006	28-Sept-2011	6.00	
C	Dalkia Utilities Services Plc	131.36	1,414	£15,000 £10.61	£14,847 £10.50	24-Jun-2006	23-Jun-2011	5.75	Sub-let to El.WHS Ltd
D	Vacant	173.26	1,865	£ 19,583 £ 10.50	£ 19,583 £ 10.50	-	-		12 month rental guarantee.
E	J E Clarke & Mrs CM Clarke (t/a Central Public Relations)	146.51	1,577	£17,000 £10.78	£16,559 £10.50	24-Jun-2007	23-Jun-2012	4.75	
F	Vacant	362.88	3,906	£ 41,013 £ 10.50	£ 41,013 £ 10.50	-	-	1.00	12 month rental guarantee.
G	Protocol Skills Ltd	134.06	1,443	£14,700 £10.18	£15,152 £10.50	29-Sep-2006	28-Sep-2011	6.00	
H	Vacant	154.12	1,659	£17,420 £10.50	£17,420 £10.50	-	-	1.00	12 month rental guarantee.
I	Amalgamated Engineering Union Trustee Ltd	201.04	2,164	£19,500 £ 9.01	£22,722 £ 10.50	25-Jul-2008	25-Mar-2013	7.50	
J	Reliance Mutual Insurance Society Ltd	212.19	2,284	£25,000 £ 10.95	£23,982 £10.50	29-Sep-2006	29-Sep-2011	6.00	
K	Moben Kitchens Direct Ltd	191.75	2,064	£23,000 £11.14	£21,672 £ 10.50	24-Jun-2004	25-Aug-2010	5.00	Rent review outstanding.
<b>TOTAL</b>		<b>1,968.69</b>	<b>21,191</b>	<b>£219,866</b>	<b>£222,508</b>				

## ESTIMATED RENTAL VALUE

The investment is broadly rack-rented with an estimated rental value of **£222,508 per annum** equating to approximately **£113.02 per sq m (£10.50 per sq ft)**.

We are aware of the following recent comparable evidence on Queens Road;

In December 2003, at 25 Queens Road, Coventry Victim Support completed a five year lease at a rent of £5,600 per annum which equated to £120.55 per sq m (£11.20 per sq ft).

In July 2004, at 25 Queens Road, Prestige Nursing completed a three year lease at a rent of £4,000 per annum which equated to £122.93 per sq m (£11.42 per sq ft).

In addition, we understand that rents in the region of £183 per sq m (£17.00 per sq ft) are being achieved on both Coventry University Business Park and Villiers Court Meriden on the outskirts of the city centre.

## FREEHOLD CAPITAL VALUE

The purchase price reflects a capital value of £1,367 per sq m (£127 per sq ft). In our opinion, the individual units of Kings Chambers would achieve a premium from an owner occupier or private investor.

We are aware of the freehold sale of 20 Queens Road with vacant possession in July 2004. A price of £445,000 was achieved equating to £1,528 per sq m (£142 per sq ft).

Furthermore, we understand that capital values in the region of £2,153 per sq m (£200 per sq ft) are being achieved on both Coventry University Business Park and Villiers Court Meriden on the outskirts of the city centre.

## RESIDENTIAL / STUDENT ACCOMMODATION

There may be potential to convert the office accommodation to residential subject to obtaining the necessary consents.

Regency House on Queens Road, only two buildings west of Kings Chambers, is a residential scheme converted from offices by Emblem Homes. We understand that 40% of the 46 flats have already been sold since marketing began in April 2005. The average price achieved reflects a capital value of £2,368 per sq m (£220 per sq ft).

There are various other precedents for change of use in the immediate vicinity;

In August 2005, Ramada opened a 166 room hotel in a landmark, 17 storey, former office building on Butts Road. At Liberty Park on Queens Road a student residence providing 464 rooms has recently completed. Finally, on the original City college site at the eastern end of Queens Road, demolition has begun and planning proposals are at their early stages for a significant mixed use development.

## PRICE

The freehold interest can be acquired for a price in excess of **£2,700,000** reflecting a **net initial yield of 7.7%**, a **reversionary yield of 7.8%** and a **capital value of £1,367 per sq m (£127 per sq ft)** based upon costs of 5.7625 %.

## VALUE ADDED TAX

The property has been elected for VAT. The sale will therefore be treated as Transfer of Going Concern (TOGC).

## INVESTMENT CONSIDERATIONS

- **An opportunity to acquire 11 self-contained modern office units with car parking.**
- **Town centre location in close proximity to the main railway station.**
- **Attractive net initial yield of 7.7%.**
- **Low capital value of £1,367 per sq m (£127 per sq ft).**
- **Potential for break-up sales to owner occupiers and investors. Freehold office sales with vacant possession are achieving £1,506 to £2,153 per sq m (£140-200 per sq ft).**
- **Residential potential subject to obtaining the necessary consents. Residential units converted from offices are achieving prices equating to £2,368 per sq m (£220 per sq ft). There are a number of precedents for residential conversion in the immediate area.**
- **Multi-let investment providing a balanced risk profile.**
- **Active management opportunities to re-gear leases, action surrenders, action rent reviews, agree lease renewals and re-let accommodation.**

