

105-109

SALUSBURY ROAD
LONDON NW6 6RG

PRIME FREEHOLD INVESTMENT WITH
RESIDENTIAL DEVELOPMENT CONSENT



INVESTMENT SUMMARY

- Prominent mixed use investment located in the affluent Queens Park, less than 3 miles from Central London.
- Situated on Salusbury Road, Queens Park's main retail and restaurant pitch and core office focus.
- Art deco property configured as offices, health club and supermarket.
- Total accommodation of **3,440.8 sq m (37,038 sq ft)** arranged over three storeys.
- 38 parking spaces providing an excellent ratio of 1:975 sq ft overall.
- Total current passing rent of **£649,240** per annum.
- Reversionary offices let at a low passing rent of £20.31 per sq ft, gym let at £7.95 per sq ft, and rack rented supermarket.
- Multi let to ITE Group, Fitness First and Sainsbury's with 89% of the income secured against Minimum Risk covenants.
- Average weighted unexpired term certain of 9.12 years.
- Outline **planning consent** for the development of two additional floors to provide 14 private penthouses with a Gross Internal Area of **959.2 sq m (10,324 sq ft)**.
- Freehold interest.
- Multiple asset management opportunities to enhance value.
- Seeking offers in excess of **£11.75 million** (Eleven Million, Seven Hundred and Fifty Thousand Pounds) reflecting the following profile, excluding any income or receipts from the consented planning permission:

Net Initial Yield 5.22%

Equivalent Yield 5.57%

Reversionary Yield 5.61%

Capital Value Per Sq Ft £317

Low capital value of £248 per sq ft including the consented development.





LOCATION

Located at the edge of Central London less than 5 km (3.1 miles) north west of the West End, Queens Park is surrounded by some of London's most affluent residential suburbs. St John's Wood is situated less than 3.2 km (2 miles) to the east, with Maida Vale and Notting Hill approximately 2 km (1.2 miles) and 3.7 km (2.3 miles) to the south. Hampstead is approximately 2 km (1.3 miles) to the north east.

Queens Park has developed into a vibrant residential and commercial district displaying many of the characteristics of its neighbour Notting Hill. The district's rapid growth in house prices has resulted in an increasingly affluent demographic and high quality retail and restaurant facilities.

The location is further enhanced by Queens Park itself which comprises approximately 30 acres of park area with a range of facilities.





TRANSPORT AND COMMUNICATIONS

ROAD

Queens Park is conveniently located between the Edgware Road (A5) and Harrow Road (A404), respectively just over 1 km (0.6 miles) to the east and west. Each provides excellent links into and out of Central London, and connects to Salusbury Road via the B451.

The A501, a major east to west arterial route across Central London, connects to the A5 and A404, as well as Kings Cross 7.2 km (4.5 miles) to the east. The A501 additionally conjoins with the A40, from where it links to the A406, London's innermost ring road, less than 8 km (5 miles) to the west.

PUBLIC TRANSPORT

Queens Park is situated on the London Underground (Bakerloo Line) and Overground Lines which provide excellent access across London. The key transport hub of Paddington Station (Circle, District and Hammersmith and City Underground Lines) is within a seven minute journey time, from where Heathrow Airport can be accessed within just 15 minutes via the Heathrow Express. Baker Street Station is a further five minutes away (Circle, Hammersmith and City, Jubilee and Metropolitan Lines).

The London Overground links Queens Park to other mainline transport hubs such as Euston (11 minutes), Richmond (30 minutes) and Watford Junction (34 minutes). Brondesbury Park Rail Station also links to the London Overground, with West Hampstead Underground (Jubilee Line) and Rail (First Capital Connect) Stations within two minutes journey time.



Brondesbury Park
Station 

105-109
SALUSBURY ROAD
LONDON NW6 6RG

SITUATION

105/109 Salusbury Road occupies a prominent position along the main north to south thoroughfare linking Queens Park to Brondesbury. Situated within Queens Park's core office focus, the area is popular with media companies. Corbis occupy the adjoining building. Queens Studios are in turn adjacent, where office occupiers include Bickerdyke & Partners, Chello Zone, New State Entertainment, Sound Studios and To Be Creative.

Salusbury Road forms the main retail and restaurant pitch, home to a number of recognised and boutique retailers, delicatessens, cafes and gastro pubs. Occupiers of note include Gail's, Jacks Cafe, Made Man, Penks, Starbucks, The Alice House and The Salusbury.

A number of the area's most sought after residential roads are directly opposite the Property, with Queens Park itself less than five minutes walk away.

Queens Park and Brondesbury Park Stations are both within easy reach, respectively less than five minutes walk (320m) south and 10 minutes walk (480m) north of the property.

Queens Park Station 



DESCRIPTION

The three storey art deco building has undergone a number of major landlord refurbishments with the most recent in 1997 and 2012, to predominantly provide Grade A specification offices over the ground and upper floors.

Centred around an impressive triple height atrium, the upper office levels are configured as flexible suites in separate wings, accessed via feature walkway balconies, and a communal service core to the rear.

Each office suite benefits from the ability to be self contained, with a number of the suites having undergone recent tenant fitout works further enhancing the space. The offices broadly benefit from the following specification:

- Air Conditioning
- LG7 Lighting
- 11 Person Passenger Lift*
- Suspended Ceilings
- Raised Floors
- Male and female WCs on each floor

** serving all floors and roof level.*

The first floor offices additionally benefit from a substantial outdoor terrace of approximately 760 sq ft.

Part of the first floor has been configured to provide a self contained gym accessed from Salisbury Road, fitted out with various fitness studios, cardio workout and free weights areas, and spa facilities. The tenant has additionally undertaken various refurbishment works.

The supermarket is situated on the west section of the ground floor fronting Salisbury Road, and has been fitted out to the tenant's individual specification. Loading is to the rear of the property, accessed from Salisbury Road.

The investment additionally offers 38 secure on site parking spaces providing an excellent ratio of 1:975 sq ft.

ACCOMMODATION

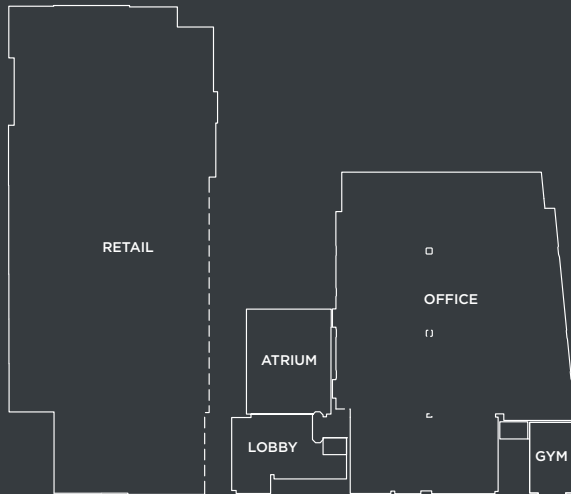
The Property has been measured by Plowman Craven in accordance with the RICS Code of Measuring Practice (6th Edition) to provide the following Net Internal Areas:

FLOOR	USE	SQ M	SQ FT
Ground	Atrium, Lobby	911	981
Ground East	Office	382.2	4,114
Ground West ¹	Retail	534.2	5,750
First East ^{1,2}	Gym	799.1	8,602
First West ³	Office	434.2	4,674
Second East	Office	760.5	8,186
Second West	Office	439.5	4,731
Total		3,440.8	37,038

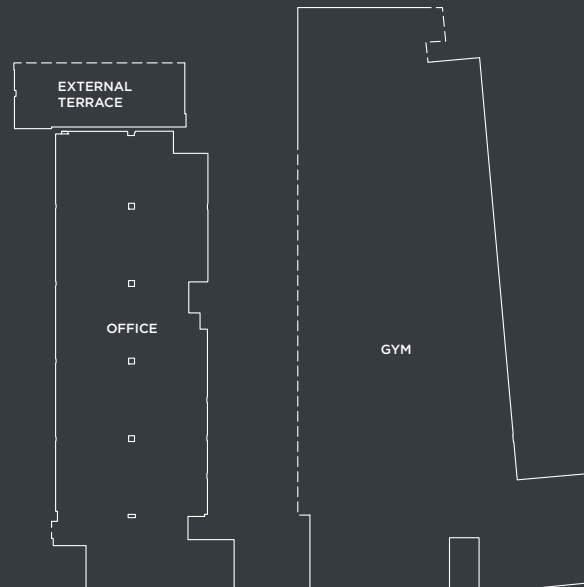
1 Gross Internal Area.
 2 Includes ground floor entrance of 195 sq ft.
 3 Excludes external balcony of 760 sq ft.



GROUND FLOOR



FIRST FLOOR



SECOND FLOOR



SALUSBURY ROAD

Not to scale. Indicative only.

TENURE

Freehold site totalling approximately 0.3 hectares (0.75 acres).



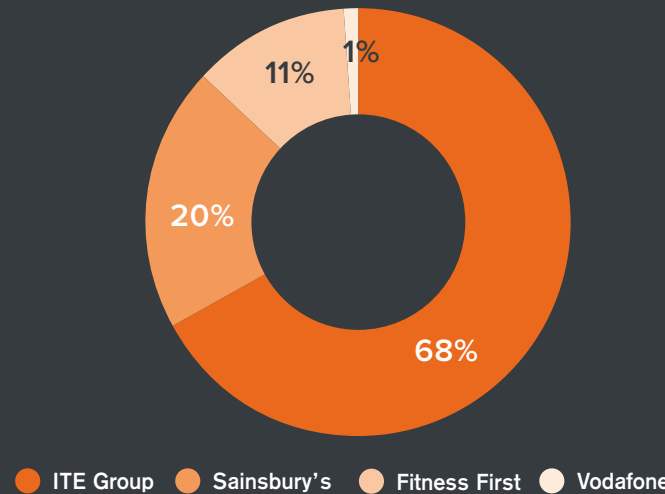
TENANCY

Let to four tenants in accordance with the below tenancy schedule, providing an Average Weighted Unexpired Lease Term Certain of 9.12 years.

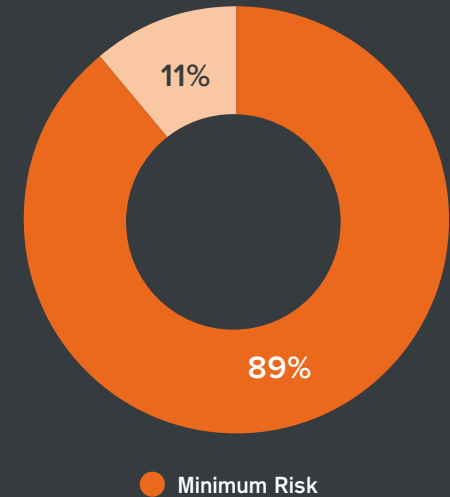
TENANT (SURETY)	DEMISE	AREA (SQ FT)	LEASE START	LEASE EXPIRY	BREAK DATE	REVIEW DATE	RENT (£ PA)	RENT (£ PSF)	COMMENTS
ITE Group Plc	Ground Floor East ¹	4,114	24-Jun-99	23-Jun-19	-	24-Jun-14	£440,900	£20.31	
	First Floor West ¹	4,674							
	Second Floor East	8,186							
	Second Floor West	4,731							
Fitness First Clubs Ltd (Fitness First Ltd)	First Floor East	8,602	25-Dec-97	24-Dec-22	-	25-Dec-12	£68,376	£7.95	
Sainsbury's Supermarkets Ltd	Ground Floor West	5,750	20-Jun-08	19-Jun-28	-	20-Jun-13	£130,000	£22.61	
Vodafone Ltd	Telecommunications Aerial	-	29-Sep-98	28-Sep-18	29-Sep-13	29-Sep-13	£9,964	-	Mutual option to break on 12 months notice.
Total		36,057					£649,240		

¹ Sublet to Zonemedia Management Ltd trading as Chello Zone as their UK Head Office. Further information upon request.

Income by Tenant



Income by Covenant Strength



● ITE Group ● Sainsbury's ● Fitness First ● Vodafone

● Minimum Risk

MARKET COMMENTARY

OFFICE

Queens Park's direct proximity to Central London, excellent transport links and attractive surrounds are major factors in the areas appeal. With a lack of well configured Grade A space available, particularly along Salusbury Road the area's core office focus, the investment's rental potential is largely unproven.

ITE Group recently regeared their lease to remove the 2014 break option at the existing passing rent in return for no rent free, suggesting the offices are reversionary.

Recent transactions at inferior premises such as Quadrant Business Park and Queens Studios have achieved headline rents of close to £21.75 per sq ft. We believe the investment will attract a premium over this accommodation and highlight the below transactions within the wider area:

PROPERTY	SIZE (SQ FT)	LEASE TERM	RENT (£ PSF)	DATE
2 Kingdom Street, Paddington, W2	26,163	15 Years	£57.50	May 2012
1 Kingdom Street, Paddington, W2	20,100	12 Years	£49.50	Jan 2011
1 Sheldon Square, Paddington, W2	6,026	5 Years	£45.00	Jan 2011
30 Eastbourne Terrace, Paddington, W2	8,746	10 Years	£37.50	Jan 2011
3 Olaf Street, Notting Dale Village, W11	12,579	10 Years	£32.50	Dec 2011
Whiteley Centre, Queensway, W2	12,655	10 Years	£28.50	Oct 2011
The Phoenix Brewery, Latimer Road, W10	1,141	5 Years	£29.50	Feb 2012
The Phoenix Brewery, Latimer Road, W10	1,242	5 Years	£27.50	Apr 2012
8 Canfield Place, Finchley Road, NW6	1,394	5 Years	£24.00	Aug 2011

Zonemedia Management as subtenant are currently paying rents equating to £22.63 per sq ft and £24.95 per sq ft. Based on this and the above we believe the Property is capable of conservatively achieving in excess of £25 per sq ft headline.

RESIDENTIAL

Queens Park has benefitted from strong capital growth in recent years with top residential values currently in the region of £800 per sq ft. Despite this, the area remains at a significant discount to Notting Hill and Maida Vale where top values are respectively in the region of £3,800 per sq ft and £2,000 per sq ft.

We believe this disparity is due in part to a lack of premium apartments within Queens Park, the majority of developments comprising refurbishments of period conversion or purpose built premises.

The investment's existing planning consent will provide unique penthouse accommodation in a core position in direct proximity to local amenities and transport links. In our opinion the existing consent provides an opportunity to achieve benchmark residential levels in Queens Park far in excess of existing values.





RESIDENTIAL DEVELOPMENT CONSENT

Outline planning permission was granted in 2007 and renewed by the vendor in March 2012 for the construction of 14 self contained residential penthouses over an additional two storeys. The consent provides for a total of 959.2 sq m (10,324 sq ft) of Gross Internal Area accommodation, all of which will comprise private residential dwellings, configured as 3 x three bedroom units, 9 x two bedroom units and 2 x one bedroom units.

Access is to be provided via a new dedicated lift from within the existing office atrium.

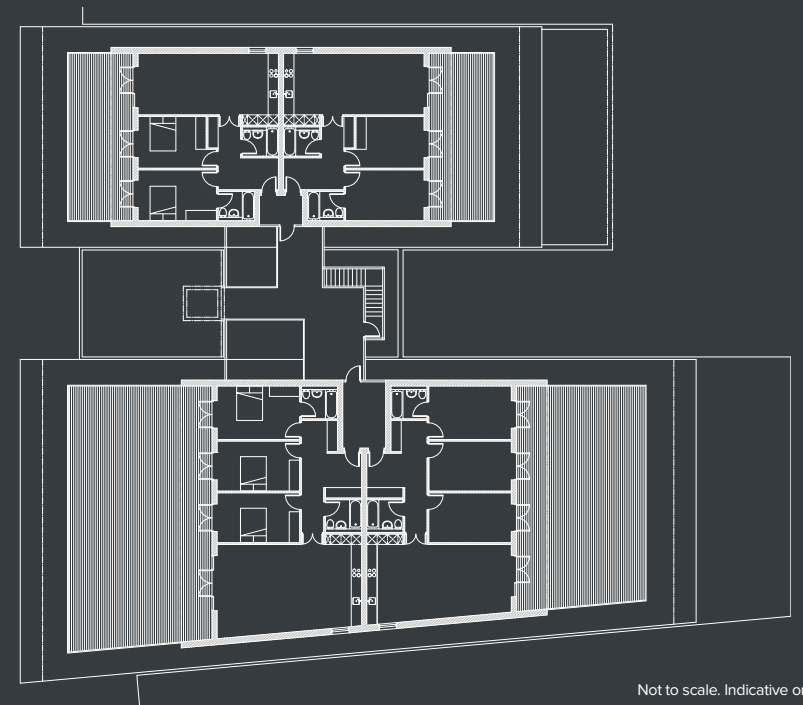
Further information is available upon request.



PROPOSED THIRD FLOOR



PROPOSED FOURTH FLOOR





ASSET MANAGEMENT OPPORTUNITIES

The investment offers multiple asset management opportunities:

- Develop the residential units in accordance with the existing planning consent.
- Amend the existing planning permission to provide additional and or larger penthouse apartments.
- Convert the gym to office accommodation to achieve a higher rent, or residential, subject to the necessary consents.
- Extend the office accommodation by linking floorplates.

SERVICE CHARGE

The current service charge budget for the year ending 31 December 2012 reflects £2.72 per sq ft overall.

Each commercial lease provides for the reapportionment of the service charge in the event of any additional development within the site.



COVENANTS

ITE GROUP

Formed in 1991, ITE Group are a major coordinator of trade exhibitions and conferences specialising in emerging markets. Core sectors include Construction, Fashion, Clothing & Textile, Mining, Oil & Gas, Sport & Leisure and Travel & Tourism among others. Operating over 15 countries through a network of 27 offices and 1,000 staff worldwide, the Group organises in excess of 200 events each year. ITE Group sold just under 6.5 million sq ft of exhibition space in 2011.

D&B have rated ITE Group Plc as N1, reflecting Minimum Risk of Business Failure. Three years summary accounts are as follows:

	30 Sep 2011 (£000's)	30 Sep 2010 (£000's)	30 Sep 2009 (£000's)
Turnover	£155,456	£113,547	£116,730
Pre Tax Profit	£39,094	£31,278	£41,452
Net Current Liabilities	(£16,324)	(£7,960)	(£4,937)

Further information is available at www.ite-exhibitions.com



SAINSBURY'S

With over 16% market share, Sainsbury's is the United Kingdom's third largest grocer, with 21 million customer transactions per week. Founded in 1869, the supermarket chain operates across 934 stores, 377 of which are convenience stores with the remainder comprising supermarkets. Employing approximately 150,000 staff, Sainsbury's also has a major online presence, available to just under 95% of all United Kingdom households.

D&B have rated Sainsbury's Supermarkets Ltd as 5A1, reflecting Minimum Risk of Business Failure. Three years summary accounts are as follows:

	19 Mar 2011 (£000's)	20 Mar 2010 (£000's)	21 Mar 2009 (£000's)
Turnover	£21,100,000	£19,962,000	£18,910,000
Pre Tax Profit	£755,000	£562,000	£548,000
Tangible Net Worth	£3,920,000	£3,490,000	£3,383,000

Further information is available at www.sainsburys.co.uk



FITNESS FIRST

Established in 1993, Fitness First has become a brand synonymous with the health and fitness sector. Boasting a membership base of approximately 1.1 million across more than 435 clubs, over 140 are within the United Kingdom. Fitness First was acquired by BC Partners in 2005.

Three years summary accounts are as follows:

Fitness First Clubs Ltd

	31 Oct 2010 (£000's)	31 Oct 2009 (£000's)	31 Oct 2008 (£000's)
Turnover	£150,138	£156,458	£164,331
Pre Tax Profit	£3,638	£5,613	(£2,795)
Tangible Net Worth	(£7,286)	(£21,449)	(£28,062)

Fitness First Ltd

	31 Oct 2010 (£000's)	31 Oct 2009 (£000's)	31 Oct 2008 (£000's)
Turnover	£40,503	£34,423	£27,545
Pre Tax Profit	£33,258	(£81,095)	£34,899
Tangible Net Worth	£392,016	£360,726	£443,793

Further information is available at www.fitnessfirst.com



VALUE ADDED TAX

The property has been elected for VAT which will therefore be payable on the purchase price. It is envisaged that the sale will be treated as a Transfer Of a Going Concern (TOGC).

INVESTMENT CONSIDERATIONS

- Opportunity to acquire a substantial multi let mixed use investment in Queens Park, an affluent London suburb.
- Headquarter style Grade A offices with full height atrium, outdoor terrace and excellent natural light.
- Flexible open plan floorplates allowing for multiple occupation.
- Exceptional car parking ratio of 1:975 sq ft overall.
- Reversionary offices with conservative ERV of in excess of £25 per sq ft headline as proven by the current subtenant rents.
- Low rented gym offering change of use potential to higher values.
- Long average weighted unexpired term certain of 9.12 years.
- Potential to extend the offices by linking floorplates.
- Existing planning permission for construction of 14 private penthouses. Subject to the necessary permissions, possibility to increase the density further.
- Queens Park has seen significant growth in residential values to £800 per sq ft, still a substantial discount to surrounding areas.
- Opportunity to crystallise new benchmark residential values in Queens Park through the existing planning consent.
- Potential to enhance income and yield through developing and letting the penthouse apartments.
- Low capital value of £248 per sq ft inclusive of the consented residential scheme.



PROPOSAL

Seeking offers in excess of **£11,750,000** (Eleven Million, Seven Hundred and Fifty Thousand Pounds) subject to contract and exclusive of VAT.

Based upon a conservative Headline ERV of £25 per sq ft on the offices and assuming standard Purchaser's costs of 5.80% this reflects the following attractive profile:

■ Net Initial Yield	5.22%
■ Equivalent Yield	5.57%
■ Reversionary Yield	5.61%
■ Capital Value Per Sq Ft	£317
■ Capital Value Per Sq Ft Including the Consented Development	£248

The above yield profile does not account for any income or receipts from the granted planning consent.



FURTHER INFORMATION



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June 2012

Energy Performance Certificate Non-Domestic Building

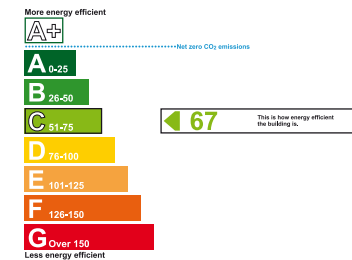


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LONDON
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Certificate Reference Number:
9493-3025-0229-0200-6395

This certificate shows the energy rating of this building. It indicates the energy efficiency of the building fabric and the heating, ventilation, cooling and lighting systems. The rating is compared to two benchmarks for this type of building: one appropriate for new buildings and one appropriate for existing buildings. There is more advice on how to interpret this information on the Government's website www.communities.gov.uk/epbd.

Energy Performance Asset Rating



Technical Information

Main heating fuel: Grid Supplied Electricity
Building environment: Mixed-mode with Natural Ventilation
Total useful floor area (m²): 3325
Building complexity (NOS level): 4
Building emission rate (kgCO₂/m²): 52.17

Benchmarks

Buildings similar to this one could have rating as follows:
31 If newly built
81 If typical of the existing stock

Green Deal Information

The Green Deal will be available from later this year. To find out more about how the Green Deal can make your property cheaper to run, please call 0300 123 1234.

Further information is available upon request