

MULTI-LET TOWN-CENTRE OFFICE INVESTMENT IN GREATER LONDON



9 Sutton Court Road

Sutton, Surrey



Investment Summary

- Purchase Price in excess of £5,000,000.
- Net Initial Yield of 8.0%.
- Capital value of £1,970 per sq m (£183 per sq ft).
- Freehold.
- Nine storey tower office building with car parking.
- Located in a core town centre location close to the railway station.
- Recently refurbished accommodation with comfort cooling.
- Total net internal area of 2,546 sq m (27,392 sq ft).
- Passing rent reflects £165.80 per sq m (£15.40 per sq ft).
- Residential potential, subject to the necessary consents.

Location

The London Borough of Sutton, in the county of Surrey, is an affluent suburb located approximately 25.6 kilometres (16.0 miles) south of Central London, 8.0 kilometres (5.0 miles) south east of Croydon and 9.6 kilometres (6.0 miles) south-east of Kingston-upon-Thames.

Sutton is an established retail and office centre. The town's two shopping centres (St Nicholas and Times Square) and its High Street provide the town's main retailing focus where numerous national multiples are located. Major office occupiers include Canon, Reed Business Publishing, Securicor, The Crown Agents, Zurich and Reed Elsevier.

The town is characterized by high quality residential set against the background of the Surrey countryside, Epsom Downs and Walton Heath.

Recent local authority proposals aim to further enhance the town centre. These include proposals to redevelop the railway station and adjacent land to create a mixed use scheme incorporating retail, leisure, office and residential. In addition, there are proposals to extend the successful Croydon Tramlink to Sutton town centre.

Demographics

In 2001, Sutton's resident population was approximately 180,000 whilst the population within a 20 kilometre catchment area was approximately 1 million.

The CACI Lifestyle Groups of Wealthy Executives and Prosperous Professionals in Sutton provides a combined total of 16.5% compared to the national average of 10.8%. Sutton boasts a higher level of home ownership at 74.3% than the national average at 68.3%.

The town has a healthy, local economy benefiting from a low unemployment rate of 4.1% and high levels of economic activity. In addition, some 5,000 businesses are registered as being active in the town.

Sources: Focus, Census 2001, www.sutton.gov.uk.

Communications

Sutton benefits from excellent communications via road, rail and air;

The town is situated within the south-west quartile of the M25 motorway lying 12.0 kilometres (7.5 miles) from both Junctions 8 and 9 via the A217 and A24 respectively.

Sutton railway station provides regular services to London Victoria and London Bridge with an average journey time of 25 minutes and 40 minutes respectively. Local rail links connect with Epsom, Horsham, Leatherhead, Wimbledon and Guildford.

Heathrow airport is situated some 23.8 kilometres (14.8 miles) to the south-west, whilst Luton Airport is approximately 48.9 kilometres (30.4 miles) to the north, providing flights to international destinations.

Situation

Within the core of the town-centre, the property occupies a prominent position on the north side of Sutton Court Road between its junctions with the High Street and Chalk Pit Way. Carshalton Road (A232) runs parallel with Sutton Court Road to the north.

Sutton's retail centre and railway station are both only a few minutes walk from the property situated to the north and south respectively.

The town centre is characterized by a mix of retail, restaurant, office, residential and hotel uses. In addition, there are a number of leisure facilities including a multiplex cinema, recreation grounds, fitness centres and theatre.



Description

Constructed in the mid 1970s, the building comprises a nine storey tower of frame construction with a flat roof. The common parts and the majority of the office accommodation have been recently refurbished. The specification includes comfort cooling, suspended ceilings, Category II lighting and perimeter trunking. In addition, there is an 8 person passenger lift and toilets on each floor.

A car park is situated to the rear of the building.

Accommodation

We have been advised that the total net internal floor area is 2,546 sq m (27,392 sq ft). In addition, there are a total of 18 car parking spaces providing a ratio of 1:141 sq m (1:1,521 sq ft).

The site area is approximately 0.1 hectares (0.2 acres).

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 **£421,924 per annum** equating to **£165.80 per sq m (£15.40 per sq ft)** overall.

The vendor is providing a 1 year rental guarantee on the vacant accommodation representing 783 sq m (8,421 sq ft) and £134,736 per annum whilst two wings on the 4th floor that are currently in solicitors' hands represent 285 sq m (3,066 sq ft) and £44,457 per annum.

Please see the tenancy and accommodation schedule.

Estimated Rental Value

The estimated rental value of the building is approximately **£412,000 per annum equating to £161.46 per sq m (£15.00 per sq ft)** on the office accommodation.

We are aware of the following comparable evidence:

In May 2006, at Chancery House, St Nicholas Way, Skybridge Group Plc completed a 10.5 year lease with a tenant's break option in the 5th year at a rent of £195,000 per annum which equated to £169.00 per sq m (£15.70 per sq ft).

In February 2006, at 9 Sutton Court Road, Kumho Tyre (UK) Ltd completed a 10 year lease at a rent of £49,232 per annum which equated to £172.00 per sq m (£16.00 per sq ft).

Residential Planning Permission

There may be potential to convert part or the entire building to residential subject to the necessary consents. Barratt Homes have recently developed a 150 unit residential scheme close to the property on the corner of Throwley Way and Throwley Road. The company have already sold approximately 50% of the units achieving prices equating to a range of £4,306 to £4,844 per sq m (£400 to £450 per sq ft).

Proposal

We have been instructed to seek offers in excess of **£5,000,000** (Five Million Pounds) reflecting a **net initial yield of 8.0%** and a **capital value of £1,970 per sq m (£183 per sq ft)** based upon costs at 5.7625%.

Value Added Tax

The property is not elected for VAT.

Investment Considerations

- An opportunity to acquire a multi-let tower office building in Sutton town centre.
- Sutton is situated within the M25 and is only 25.6 kilometres (16.0 miles) south of Central London. The town is an established commercial centre with an affluent resident population and excellent retailing facilities.
- The property occupies a core position in the town centre in very close proximity to both the town's main railway station and two shopping centres.
- Improving location; there are local authority proposals to further enhance the town centre including redevelopment of the railway station and adjacent land to create a mixed use scheme incorporating retail, leisure, office and residential uses. In addition, there are proposals to extend the successful Croydon Tramlink to Sutton town centre.
- Attractive net initial yield of 8.0%.
- Asset management opportunities including re-letting accommodation, setting higher rental levels within the building and re-gearing leases.
- Potential to convert part or the entire building to residential subject to obtaining the necessary consents. In Throwley Way, Barratt Homes are selling apartments at prices equating to a range of £4,306 to £4,844 per sq m (£400 to £450 per sq ft).
- There is a lack of flexible office accommodation in Sutton town-centre which will benefit future occupancy levels and rental growth in the building.
- Excellent potential for rental growth; the current level of £165.80 per sq m (£15.40 per sq ft) is a low rental base in comparison to rents achieved in the surrounding towns where rental levels are up to 100% higher. Please see illustration highlighting the range of rental levels in surrounding towns.

SUBJECT TO CONTRACT AND EXCLUDING VAT

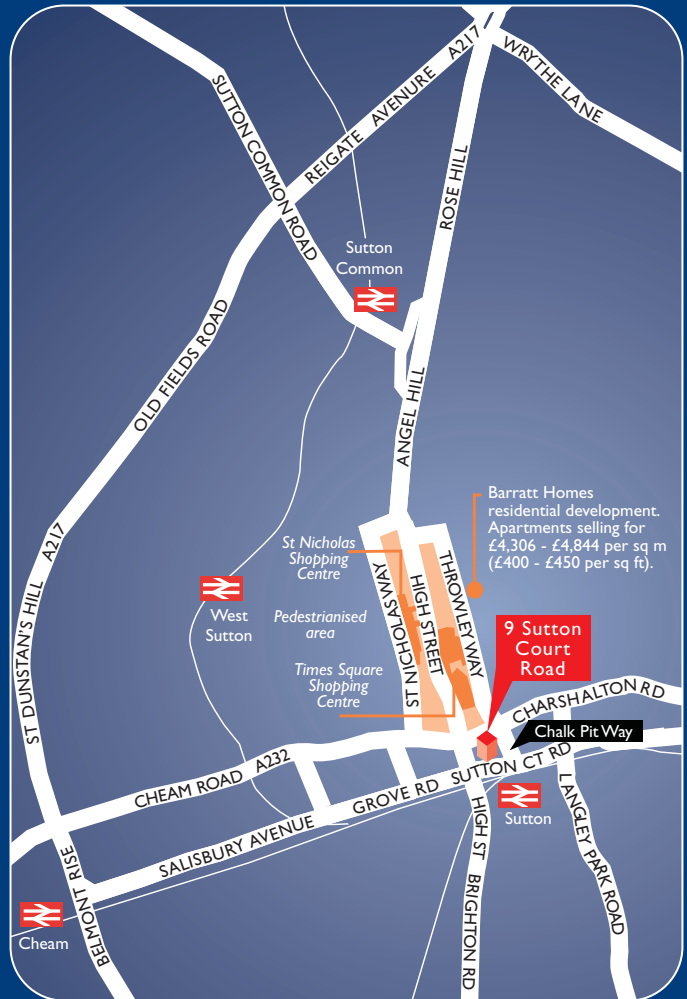


Tenancy and accommodation schedule

Floor	Tenant	Accommodation sq ft	Accommodation sq m	Rent per annum (per sq ft)	ERV per annum (per sq ft)	Start Date	Review Term (years)	Expiry (Break)	Unexpired Term (years)	Comments
Ground Floor East	Fusion Search & Selection Ltd	751	70	£10,890 (£14.50)	£11,265 (15.00)	10-Mar-06	-	9-Mar-11 (9-Mar-09)	4.50	Refurbished. Service charge cap at £6.00 per sq ft with RPI. Rent deposit held (£5,445 + VAT).
Ground Floor West	Hays Specialist Recruitment Ltd	1,174	109	£17,610 (£15.00)	£17,610 (15.00)	25-Mar-05	25-Mar-10	24-Mar-15	8.50	Refurbished. Service charge cap at £5.00 per sq ft with RPI.
1st Floor	Vacant	2,267	211	£34,005 (£15.00)	£34,005 (15.00)	-	-	-	1.00	The vendor will provide a 1 year rental guarantee.
2nd Floor	EC Harris Services Ltd	3,077	286	£49,232 (£16.00)	£46,155 (15.00)	1-Feb-05	-	31-Jan-10 (31-Jan-08)	3.50	Refurbished. Service charge cap at £5.00 per sq ft with RPI.
3rd Floor	EC Harris Services Ltd	3,077	286	£49,232 (£16.00)	£46,155 (15.00)	1-Feb-05	-	31-Jan-10 (31-Jan-08)	3.50	Refurbished. Service charge cap at £5.00 per sq ft with RPI.
4th Floor East	Pri-Med Educational Programmes Ltd	1,622	151	£23,519 (£14.50)	£24,330 (15.00)	15-Sept-06	-	14-Sep-11 (14-Sep-08) (14-Sep-09)-Mutual (14-Sep-10)	5.00	Refurbishment in progress. New lease currently in solicitors' hands. Vendor will guarantee until signed (1 year max).
4th Floor West	Huntress Search Ltd	1,444	134	£20,938 (£14.50)	£21,660 (15.00)	-	-	-	5.00	Refurbishment in progress. New lease currently in solicitors' hands. Vendor will guarantee until signed (1 year max).
5th Floor	Inter Alliance Group Plc	3,077	286	£49,232 (£16.00)	£46,155 (15.00)	2-Aug-04	-	1-Aug-09 (02-Aug-07)	3.00	Tenant in administration. Company being bought by Bates Financial Services Ltd who are now in occupation of the premises and due to take on assignment of the lease. Annual break option. Rent deposit held (£21,445 + VAT).
6th Floor	Kumho Tyre (UK) Ltd	3,077	286	£49,232 (£16.00)	£46,155 (15.00)	1-Feb-06	1-Feb-11	31-Jan-16	9.50	Refurbished.
7th Floor	Vacant	3,077	286	£44,617 (£14.50)	£46,155 (15.00)	-	-	-	1.00	The vendor will provide a 1 year rental guarantee.
8th Floor	Vacant	3,077	286	£44,617 (£14.50)	£46,155 (15.00)	-	-	-	1.00	The vendor will provide a 1 year rental guarantee.
9th Floor	Hotelzon Resotel Ltd	1,672	155	£27,600 (£16.50)	£25,080 (15.00)	4-Mar-05	-	3-Mar-10 (03-Mar-08)	3.50	Refurbished. Service charge cap at £5.00 per sq ft with RPI.
Parking Spaces	Kumho Tyre (UK) Ltd	-	-	£1,200	£1,200	9-Feb-05	-	8-Feb-06	0.00	Annual licence. Holding over
Total		27,392	2,546	£421,924	£412,080					



Rental levels in Sutton and its surrounding towns



Barratt Homes residential development. Apartments selling for £4,306 - £4,844 per sq m (£400 - £450 per sq ft).

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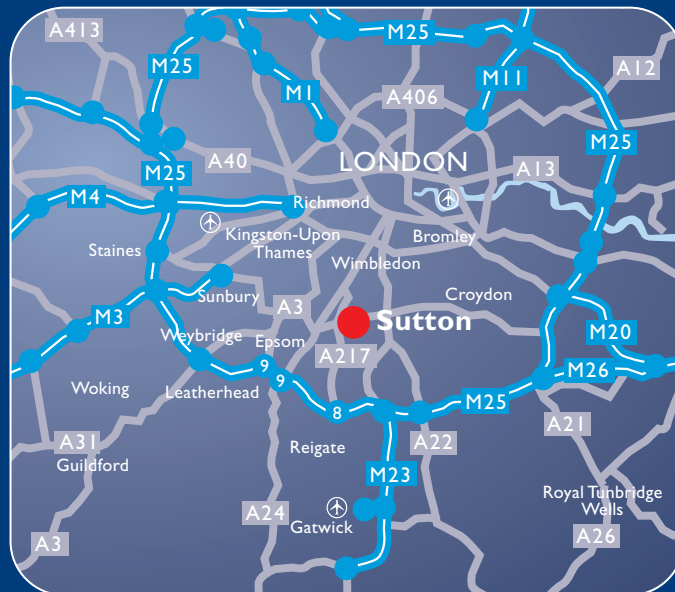
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