

Multi-let Town Centre Retail & Office Investment



DAVID BAROUKH ASSOCIATES

CROSS & PILLORY HOUSE, CROSS & PILLORY LANE
ALTON, HAMPSHIRE

INVESTMENT SUMMARY

- Purchase price of £2,170,000.
- Net initial yield of 7.0%.
- Reversionary yield of 8.3%.
- Freehold.
- Total net internal area of 1,304 sq m (14,034 sq ft).
- 33 car parking spaces.
- 4 retail units and single-let office accommodation.
- Low capital value of £1,668 per sq m (£155 per sq ft).
- Active management opportunities.
- Residential conversion potential.

LOCATION

The town of Alton is located in the county of Hampshire close to the border of Surrey, approximately 88.0 kilometres (54.7 miles) south-west of Central London. Neighbouring locations include Winchester 30.7 kilometres (19.2 miles) to the south-west and Guildford 32.5 kilometres (20.2 miles) to the north-east.

Alton is an affluent commuter town providing a pleasant environment with good quality residential and a high standard of schools. Recorded in the Domesday book 1000 years ago as the most valuable market town, Alton still holds regular weekly markets. The town's 250 listed buildings reflect its heritage of Medieval, Tudor, Jacobean and Victorian architecture.

The commercial area of the town comprises the four industrial areas of Mill Lane, Newman Lane, Caker Stream and Omega Park. These locations accommodate over 100 businesses ranging from light industrial to computer software production. Alton's traditional brewing industry is still represented by the large Bass brewery in the town.

Following a series of local authority regeneration initiatives in the 1990s, various improvements and additions to the town centre were provided including a renovation of Market Square and the development of the pedestrianised retail scheme of Westbrook Walk. Shopping facilities are provided at both these locations and the town's High Street where both national, multiple and local retailers are represented.

DEMOGRAPHICS

According to the 2001 Census, Hampshire has a population of 1,240,103 and Alton has a district population of 109,274. With regard to economic factors, the unemployment statistic is lower than the national average of 3.4% at 1.8%.

COMMUNICATIONS

Alton benefits from excellent communications: Junction 6 of the M3 is approximately 18.4 kilometres (11.5 miles) north-west of Alton providing access to London and the M25. The surrounding towns are within easy reach. The A31 provides access to Winchester in the south-west and Guildford to the north-east. Rail services to London Waterloo run frequently from Alton railway station with a fastest journey time of approximately 1 hour and 10 minutes.

Southampton International Airport is only 42.8 kilometres (26.6 miles) south-west providing flights to various UK and European destinations.

SITUATION

Cross & Pillory House is situated on the western side of Cross & Pillory Lane.

Adjacent to the property are the Council Offices, the Tourist Information Office and the Citizens Advice Bureau. Diagonally opposite the property on the corner of the High Street is HSBC bank. Woolworths is located on the south side of the High Street directly opposite the entrance to Cross & Pillory Lane.

The property is a short distance from Market Square and Westbrook Walk to the north and the High Street to the east. Situated on Market Square are various retail outlets and restaurants including Pizza Express and Prezzo.

Westbrook Walk is occupied by tenants including WH Smith, Dorothy Perkins and Holland & Barrett. The retailers on the High Street include Boots, Clinton Cards, New Look and Clarks Shoes.

DESCRIPTION

The property was constructed in the 1980s and comprises 3 retail units and 1 restaurant at ground floor level and offices on the first and second floors.

The building is arranged around a hexagonal-shaped central atrium. Access to the property is provided via a front and rear entrance. The rear entrance provides access to the public car park situated directly behind the property.

With regard to the retail accommodation, Units 1, 3 and 4 comprise three self contained shops benefiting from a return frontage onto both Cross & Pillory Lane and the central atrium area. Unit 2 is arranged as a restaurant and is located adjacent to the rear access with frontage onto the atrium.

The office accommodation is of a high quality specification benefiting from raised floors, suspended ceilings and Category II lighting.

ACCOMMODATION

We have been advised that the building provides a total net internal floor area of 1,304 sq m (14,034 sq ft). In addition there are a total of 33 car parking spaces, 27 are demised to the offices, providing a ratio of 1:35 sq m (1:379 sq ft). Please see the tenancy and accommodation schedule.

TENURE

Freehold.

TENANCIES

The investment is multi-let to five tenants producing a total income of **£160,750 per annum**. Please see the tenancy and accommodation schedule.

COVENANT

Covenant	Date of Accounts	Turnover	Pre Tax Profit	Net Assets
Regis Europe Ltd	28/06/03	£27,00	£51,000	£1,918,00

Triangle Development Services Ltd are part of the Triangle Group established in 1988 supplying computer services to industries from Manufacturing and Banking. The group has offices in Dublin, Minstead and Warrington employing approximately 200 people.

TENANCY AND ACCOMMODATION SCHEDULE

Sector Floor	Tenant	Accommodation		ITZA		Car Parking	Rent per annum per sq ft/ Zone A	ERV per annum per sq ft/ Zone A	Review	Expiry	Unexpired Term (years)	Comments
		sq m	sq ft	sq m	sq ft							
RETAIL												
Unit 1	John McCarthy & Dean Westbrook t/a John McCarthy Hair Design	118	1,267	66	710	1	£11,500 (£16.20)	£15,620 (£22.00)	28/05/04	27/05/09	4.00	This lease is outside the 1954 Act. Rent review outstanding. Notice has been served at £17,000.
Unit 2	Miss S Tretipetch t/a River Kwai Thai Restaurant	98	1,055	-	-	1	£14,250 (£13.51) overall	£20,045 (£19.00) overall	29/03/03	28/09/09	4.25	A3 consent not Zoned. Rent review outstanding. Notice has been served at £21,000. We understand that the tenant may agree to a new 15 year lease.
Unit 3	Regis Europe Ltd t/a Regis Hairstylists	71	760	53	570	1	£14,000 (£24.56)	£14,250 (£25.00)	25/05/04	16/10/09	4.25	Rent review outstanding.
Unit 4	Caroline B Ltd t/a Caroline B	67	720	43	467	1	£8,500 (£18.20)	£11,675 (£25.00)	-	28/11/07	2.25	
Sub-Total		354	3,802	162	1,747		£48,250	£61,590				
OFFICES												
First & Second	Triangle Development Services Ltd	951	10,232	-	-	27	£112,500 (£10.99)	£138,132 (£13.50)	11/02/04	11/02/09	3.75	Rent review outstanding. Notice has been served at £148,500.
Sub-Total		951	10,232				£112,500	£138,132				
TOTAL		1,305	14,034				£160,750	£199,722				

ESTIMATED RENTAL VALUE

The estimated rental value of the investment is currently **£199,700 per annum** equating to the following assumptions:

Retail

The estimated rental value of the retail/restuarant element is £61,590 per annum equating to £237 per sq m (£22.00 per sq ft) Zone A for Unit 1, £205 per sq m (£19.00) overall for Unit 2 and £269 per sq m (£25.00 per sq ft) Zone A for Units 3 and 4 due to the unit's proximity to the High Street. These are based on the evidence in the schedule below.

Address	Tenant	Date	Rent (per sq ft/Zone A)
Open Market Letting 7 Market Street	Action Knitting	02/03	£28.15
Lease Renewal 64 High Street	Occasions Jewellers	09/03	£40.00
Rent Review 56 High Street	Bakers Oven	09/04	£37.50
62 High Street	New Look	09/04	£37.50

Office

The estimated rental value of the office accommodation is £138,132 per annum equating to £145 per sq m (£13.50 per sq ft). This is based on the evidence in the schedule below.

Address	Tenant	Date	Rent (per sq ft/Zone A)
Open Market Letting 4 Oriol Ct, Omega Pk	Taylor Harrison	04/04	£12.82
Rent Review Wallbrook Office Centre on Mill Lane	Confidential	12/04	£14.50

RESIDENTIAL DEVELOPMENT POTENTIAL

There may be potential to convert the office accommodation to residential subject to obtaining the necessary consents. We understand that values for flats above retail within the town centre are in the region of £2,475 per sq m (£230 per sq ft).

PRICE

The freehold interest can be acquired for a price in excess of **£2,170,000** reflecting a net initial yield of 7.0%, a reversionary yield of 8.7% and a capital value of **£1,668 per sq m (£155 per sq ft)** based upon costs of 5.7625%.

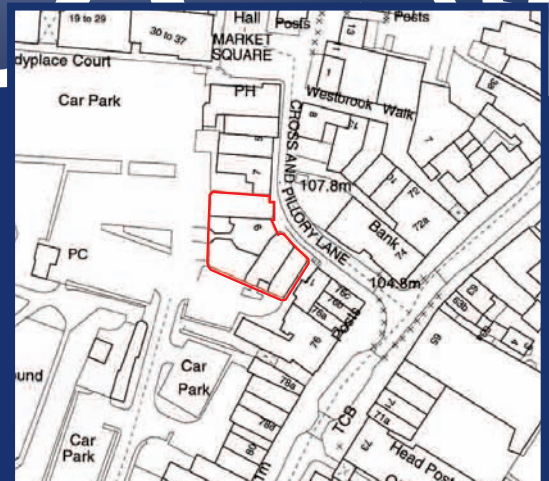
VALUE ADDED TAX

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

INVESTMENT CONSIDERATIONS

- Alton is an affluent commuter and market town.
- Highly attractive yield profile; a net initial yield of 7.0% and a reversionary yield of 8.7%.
- 33 car parking spaces with 27 demised to the offices providing a ratio of 1:35 sq m (1:379 sq ft)
- Low overall capital value of £1,668 per sq m (£155 per sq ft).
- Low average base rents of £257 per sq m (£23.83 per sq ft) Zone A on the retail and £118 per sq m (£10.99 per sq ft) overall on the offices.
- Valuable A3 consent. We understand that the tenant may agree to a new 15 year lease.
- Active management opportunities including completing outstanding rent reviews on Units 1, 2 and the office, and agreeing a new lease with the tenant of Unit 2.
- Potential to convert the office accommodation to residential, subject to the necessary consents. We understand residential values are in the region of £2,475 per sq m (£230 per sq ft).
- Opportunity to infill the extensive central atrium and increase the overall floor area, subject to the necessary consents.
- Potential to create a similar retail scheme to Westbrook Walk situated close by, which has attracted tenants including WH Smith, Dorothy Perkins and Holland & Barrett.

SUBJECT TO CONTRACT AND EXCLUDING VAT



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