



DAVID BAROUKH ASSOCIATES

FREEHOLD TOWN CENTRE OFFICE INVESTMENT FOR SALE



East Saxon House, 27 Duke Street, Chelmsford, Essex

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Investment Summary

- Highly specified town centre office building adjacent to Chelmsford Railway Station
- Purchase Price of **£7.25 million**, subject to contract
- Net initial yield of **8.0%**, and a reversionary yield of **8.7%**
- Capital value equating to £2,400.3 per sq m (£223.0 per sq ft)
- Approximately 6.5 years unexpired to Global Marine Systems Ltd
- Passing rent equating to £203.6 per sq m (£18.9 per sq ft)

Location & Demographics

Established in Roman times, Chelmsford is the commercial and administrative centre of Essex totalling 343.3 sq kms (212.7 sq miles). Essex is the second largest Local Authority in England and has the longest coast line in England.

Chelmsford is located approximately 48.3 kms (30.0 miles) North East of central London, 35.4 kms (22.0 miles) south west of Colchester, and 14.5 kms (9.0 miles) north east of Brentwood.

The urban resident population of Chelmsford is 97,500 and 157,000 within the district (1991 census).

With regard to CACI Lifestyle Groups the category of wealthy achievers and executives is 25.0% and 11.7% respectively, compared to the national average of 15.0% and 7.3%.

Chelmsford has remained at the fore front of new development in electronics and electrical engineering since the world's first radio factory was established in the town by Guglielmo Marconi in 1899.

The town has also grown into an important administrative, financial and service centre. The employment profile within the categories of banking, finance and business services is 25.2% as compared to the national average which is 17.5%.

Chelmsford is home to a range of national and international companies who have their regional headquarters. These include M & G Group, Britvic Soft Drinks, Applied Technologies, Alena Marconi Systems Limited, Scottish Amicable and Global Marine Systems Limited.

Companies have been attracted by the well educated and highly skilled workforce. Anglia Polytechnic University, situated in Chelmsford, has over 7,200 students and provides a wide range of specialist and vocational courses.

Communications

Chelmsford has excellent road communications. Situated at the intersection of the A12 and A130 trunk roads, it provides direct links to the coastal ports of Felixstowe and Harwich, which are the UK's busiest.

Junction 28 of the M25 London Orbital Motorway is approximately 16.1 kms (15.0 miles) South West providing access to the national motorway network.

Chelmsford benefits from fast and frequent rail services, linking the town with the City of London and Stratford. Access is provided to international, cross-London and Docklands Light Railway links. The fastest journey time to London's Liverpool Street is 38 minutes.

The UK's fastest growing international airport at Stansted is approximately 24.1kms (15.0 miles) to the North. In addition there are four international airports at Heathrow, Gatwick, London City, and Luton situated within easy reach.



Boating on the Chelmer

Major Regeneration/Development Proposals

There are currently three major proposals that will have a positive effect on Chelmsford and Essex.

1. Stansted Airport

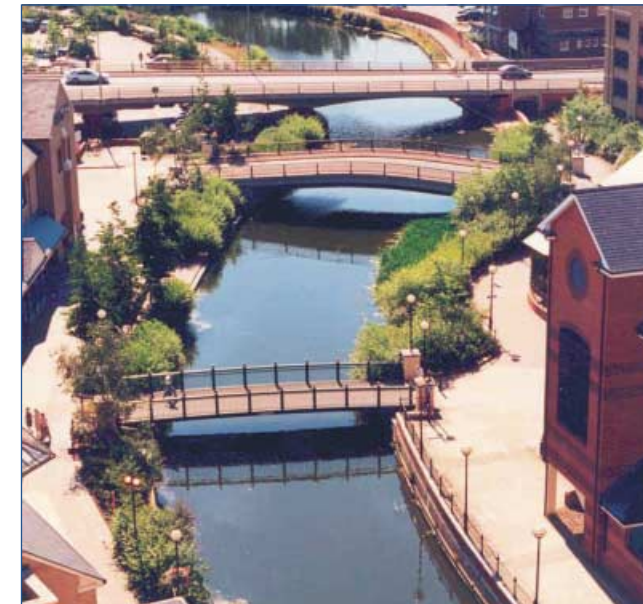
The proposed large scale expansion of Stansted airport by British Airways Authorities with up to 3 new runways is currently out to consultation ahead of the Government's aviation white paper next year. The intention is to expand the capacity from 15 to 25 million passengers per annum. Stansted looks the most likely of the Government's options for airport expansion which would support their plans to encourage development to the East of London.

2. Thames Gateway London

Thames Gateway London is Europe's largest and most ambitious regeneration initiative, extending from Tower Bridge eastwards to Thurrock and Dartford. The partnership is a sub-regional alliance with 13 Local Authorities, London Development Agency and the private sector. The regeneration includes major infrastructure improvements; The Thames Gateway Bridge is one of four new river crossings of East London, which will incorporate Docklands Light Railway and cross rail.

3. Haven Gateway

Haven Gateway is a major joint public and private economic regeneration initiative, to consolidate five ports including Felixstowe and Harwich, to one of Europe's principal international port complexes.



River Chelmer

Situation

East Saxon House is situated in a prominent location at the junction of Duke Street and Victoria Road (A10099) within the prime office core. The town's retailing High Street is situated within a short walk from the property.

There are over 8,000 public and private car parking spaces in Chelmsford many of which are situated within walking distance of East Saxon House.

Chelmsford Rail Station is situated adjacent to the property and the coach station is a short walk via Duke Street.



Chelmsford High Street

Description

The office building was constructed in the mid 1980's and provides high quality accommodation arranged on ground and three upper floors.

The specification includes:-

- Two ten persons 800kg passenger lifts
- Male and female toilets on each floor
- Under floor and perimeter trunking (Category 5)
- Double glazing
- Central heating
- Suspended ceilings with inset category 2 lighting
- VAV air conditioning/comfort cooling units within the ceiling void

Accommodation

The approximate net internal floor areas are as follows:-

	Sq Ft	Sq M
Ground (Offices)	3,658.0	339.8
Ground (Cafeteria)	2,759.0	256.3
First	8,787.0	816.3
Second	8,860.0	823.1
Third	8,450.0	785.0
Total Net Internal Area	32,514.0	3,020.5

There are 12 on site car parking spaces providing a ratio of 1:251.7 sq m (1:2,709.5 per sq ft).

Tenure

Freehold

Tenancy

The entire property is let to Global Marine Systems Limited (previously Cable & Wireless Marine Limited) on a lease term of 14.5 years from 27 March 1996, expiring 28 September 2010 (**approximately 6.5 years unexpired**) at a passing rent of **£615,000 per annum**. This equates to £203.6 per sq m (**£18.9 per sq ft**) overall.

The lease is on full repairing and insuring terms with five-yearly upwards only rent reviews, the next being in September 2005.

For the purpose of rent review the ground floor cafeteria totalling 256.3 sq m (2,759.0 sq ft) is valued to the higher of A1 (retail), A2 (professional) or B1 (office).

Global Marine Systems have agreed to sublet part of the ground floor accommodation totalling approximately 354.7 sq m (3,818.0 sq ft) to a substantial company at a rent equating to £212.6 per sq m (£19.8 per sq ft), co-terminus, outside the Landlords and Tenant 1954 Act. The tenant is awaiting Freeholder's consent.



Hylands House

Covenant

Global Marine is the worlds leading marine engineering service company, specialising in the planning, installation and maintenance of undersea fibre optic cable systems. Approximately 90% of the world's overseas telecoms traffic is transported via sub sea cable. The company has 13 ships and 21 sub-sea vehicles, the world's largest and established fleet. Global Marine, with its head office at East Saxon House and regional offices in Singapore and Florida, employs over 1,000 people worldwide.

The company has won a number of recent high profile contracts including a cable maintenance contract in June 2003 for BP Exploration Company Ltd (BP). In March 2003 Southern Cross Cables (who provide the fastest and most direct international bandwidth from Australia and New Zealand to the United States) renewed their contract.

Global Marine Systems is a wholly owned subsidiary of Global Crossing, recently acquired by Hutchinson Whampoa and Singapore Technologies Telemidia. The company provides telecommunication solutions over the world's first integrated IP-based network. Its core network connects more than 200 cities, 50 countries and 5 continents around the globe. Global Crossing's market capitalisation is approximately \$1 billion.

For year ending 31 December 2001, Global Marine Systems Limited reported the following accounts:

Turnover	£460,995,000
Pre-tax loss	£61,166,000
Net assets	£146,054,000

Chelmsford Office Market

Prime town centre office rents in Chelmsford have now hit £259.1 per sq m £25.0 per sq ft. The lack of development activity in recent years, coupled with recent lettings has restricted over-supply, despite reduced take up in the M25 as a whole. A number of local agents have commented that quality space has been letting quickly due to the shortage of supply.

Confidence in the office market is reflected by the first speculative development within 10 years at Coval Wells office campus situated at the edge of the town centre and totalling approximately 10,219.2 sq m (110,000.0 sq ft). The first phase of 3065.8 sq m (33,000.0 sq ft) has since been let and the developers, Countryside, are currently constructing the additional 7093.1 sq m (76,350.0 sq ft).

Turnstone Estates, in a joint venture with Scottish Life Assurance, acquired five 1960's town centre properties in 2000 and started a refurbishment programme. The developers let a number of suites at Fenton House, 85-89 New London Road at buoyant rental levels.

Turnstone is now refurbishing adjoining Greenwood House, and has submitted a planning application for a further 43,000 sq ft of offices at Priory Place.

There are a number of mixed use, and residential developments in the town including the £100 million, 6 acre site at Anglia Polytechnic University who will be re-locating within the town by 2005.

Countryside, with Richard Rogers Partnership, as instructed architects will create 703 homes, 8361 sq m (90,000 sq ft) of offices, shops, restaurants, an arts quarter and a central square in the towns West End.

Estimated Rental Value

In our opinion, the estimated rental value for the purposes of rent review is **£664,000 per annum** based upon £215.3 per sq m (**£20.0 per sq ft**) for the office accommodation and £269.1 per sq m (**£25.0 per sq ft**) on the ground floor cafeteria assuming an A2 value.

At Marlborough House, Victoria Road South a number of floors were let at a rent equating to £269.1 per sq m (£25.0 per sq ft) in 2001, including a suite let to Abbey National of 368.6 sq m (3,968.0 per sq ft). The building totals 2,043.8 sq m (22,000.0 sq ft)

At Fenton House, 85-89 New London Road two floors of 464.5 sq m (5,000.0 sq ft) were let in October and December 2002 to Farr and NIG. The lease terms were for 10 years, with no breaks and nominal rent frees at rents equating to £253.0 per sq m £23.5 per sq ft) and £258.3 per sq m (£24.0 per sq ft) respectively.

At Levick House, Coval Wells, M&G Group signed a lease in September 2001 on a 16 year term with no break and nine months rent free at a rent equating to £231.4 per sq m (£21.5 per sq ft). We have been advised that the next phase is being marketed at a rent equating to £258.3 per sq m (£24.0 per sq ft).

At Priory Place within the town centre developers are quoting a rent of £274.5 per sq m (£25.5 per sq ft) and are seeking a pre-let.

We have been advised of a number of ground floor A2 transactions at rents equating to £269.1 sq m (£25.0 per sq ft).

Price

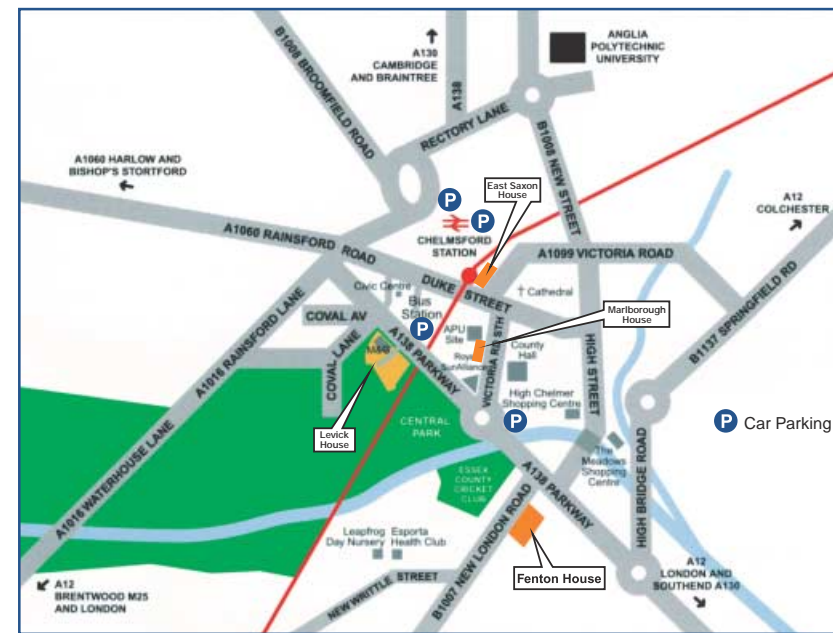
The Freehold interest can be acquired for a price in the region of **£7.25 million (Seven Million, Two Hundred and Fifty Thousand Pounds)**, subject to contract reflecting a net initial yield of **8.0%** and a reversionary yield of **8.7%** (costs @ 5.7625%). The capital value equates to £2,400.3 per sq m (**£223.0 per sq ft**).

VAT

The property is elected for VAT. It is anticipated that the purchase will be treated as a TOGC.

Investment Considerations

- An opportunity to acquire a prominent, and highly specified town centre office building situated adjacent to Chelmsford Railway Station.
- The entire property is let to Global Marine Systems Ltd, the worlds leading marine engineering service company with over 1,000 employee's world wide. The company is a wholly owned subsidiary of Global Crossing, which has a current market capitalisation of over \$1 billion.
- The investment offers a high net initial yield of 8.0% and a capital value of £2,400.3 (£223.0 per sq ft). The potential reversionary yield in September 2005 is 8.7%.
- Chelmsford is an affluent and vibrant town benefiting from a skilled workforce influenced by the University. Future proposed mixed use developments, including the six acre re-development of the University campus, will continue to enhance the town centre. A recent Sunday Times Survey identified Essex as the best region in the UK for quality of domestic life in England 2001.
- The Chelmsford office market benefits from a reduced over-supply as evident by the speculative development and major refurbishment schemes. Continued development may result in opportunities to set higher rental levels within the town.
- Chelmsford's prime office rents are at a significant discount to central London and Docklands and benefit from excellent communications by road, rail and plane. The journey time to London's Liverpool Street is only 38 minutes by rail.
- The major regeneration and development proposals of London Thames Gateway, Haven Gateway and the expansion of Stansted Airport will give Chelmsford a major boost. Certainly, should the expansion of Stansted progress, this will result in an enormous draw for occupiers 'Heathrow Effect'.
- The Chelmsford office market benefits from a lack of over-supply evident by the speculative development and major refurbishment schemes. Continued development may result in opportunities to set higher rental levels within the town.



All maps are for identification purposes only.

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**Subject to Contract
February 2004**