

Freehold Office Investment For Sale



DAVID BAROUKH ASSOCIATES

KINGSLEY HOUSE, 37-45 BALMORAL ROAD,
GILLINGHAM, KENT

INVESTMENT SUMMARY

- Purchase price in excess of £1,645,000
- Freehold
- Net initial yield of 7.5%, reversionary yield of 9.4%
- Well secured to tenants including the Secretary of State for Health, Medway Council and Medway Primary Care Trust
- 2,041 sq m (21,965 sq ft)

LOCATION

Situated in Kent, Gillingham is located approximately 57.6 kilometres (36.0 miles) east of Central London and 12.8 kilometres (8.0 miles) north of Maidstone. Chatham lies approximately 6.4 kilometres (4.0 miles) to the south east and Rochester is approximately 6.4 kilometres (4.0 miles) east.

Gillingham is one of the principal Medway towns and forms part of the eastern end of the Thames Gateway, a strategic regeneration area. The town's economy was originally built around the maritime industry but has since diversified into the financial services industry. These businesses now occupy a number of business parks which have been developed in the area in recent years.

DEMOGRAPHICS

Gillingham has a resident population of approximately 98,000 (2001, Focus) and a 20 kilometre (12.5 mile) catchment population of approximately 785,555 (1994, Focus).

18.4% of the population is employed in the Banking, Finance and Business Service industries (2001, Focus).

The unemployment rate in the town in July 2004 was 1.9%. This is lower than the national figure of 2.3% (Focus).

Approximately 78.0% of households are owner occupied (2001, Focus).

COMMUNICATION

Gillingham is situated on the A2 and benefits from excellent communications. Access to the M2 lies approximately 9.6 kilometres (6.0 miles) west of the town centre at Junction 3 and the M20 can be accessed at Junction 6 approximately 11.2 kilometres (7.0 miles) to the south. The M20 joins the M25 at Junction 3 approximately 35.2 kilometres (22.0 miles) to the west.

Folkestone and the Channel Tunnel are some 77.0 kilometres (48.0 miles) south east of Gillingham with Dover and its port a further 17.6 kilometres (11.0 miles) east on the A20.

Gillingham also benefits from regular and direct train services to London Victoria, Charing Cross, London Bridge and Cannon Street railway stations. The shortest journey time is approximately 45 minutes into London Victoria.

SITUATION

The property is situated on Balmoral Road, close to its junction with Connaught Road. Duncan Road/Nelson Road (A231) runs south of Balmoral Road and joins Watling Street (A2) which is the main route running east-west through Gillingham south of the town centre.

The building is in a mixed use location within the centre of town, in close proximity to the High Street and the town's main retailing facilities. The property also benefits from being conveniently located opposite Gillingham's main railway station. Immediately behind the building is a supermarket and adjoining car park.

DESCRIPTION

Kingsley House, built in the 1970s, is of concrete frame construction with external walls of red brick. The property comprises a purpose built office building arranged in two blocks; North and South. Both blocks are connected internally by a central core that includes a staircase and an eight person passenger lift. Each level provides male and female toilets in the communal parts.

The office accommodation has gas central heating, perimeter trunking and carpeting.

The North block has been refurbished in recent years to provide Category II lighting and secondary glazing. The ground floor benefits from a glass frontage.

ACCOMMODATION

Please see the tenancy and accommodation schedule.

The investment benefits from a car park situated on Connaught Road with 25 spaces.

TENURE

Freehold.

TENANCY

The investment is multi-let to tenants including the Secretary of State for Health, Medway Council and the Medway Primary Care Trust, producing a total income of £130,525 per annum. Please see the tenancy and accommodation schedule for further information.

COVENANT

The Medway Primary Care Trust, which has been established for 5 years, is jointly funded by the NHS and Medway Council and provides an intermediate care service for patients between hospital and home.

Remax Associates are a firm of estate agents. Their office based in Kingsley House is the main franchisor for the South of England. There are currently a total of 13 franchisees.

ESTIMATED RENTAL VALUE

In our opinion, the estimated rental value of the investment is currently £162,720 per annum. This equates to approximately £75.00 per sq m (£7.00 per sq ft).

Historic evidence within the building from June 2003 equates to a rental value of £66.89 per sq m (£6.21 per sq ft) achieved by an open market letting to Remax Associates.

Currently the vacant unit on the second floor is being marketed at a quoting rent equating to £91.17 per sq m (£8.47 per sq ft).

PRICE

The freehold interest can be acquired for a price in excess of **£1,645,000 (one million six hundred and forty five thousand pounds)** reflecting a net initial yield of **7.5%** and a reversionary yield of **9.4%** based upon costs of 5.7625%. This represents a capital value equating to £755.00 per sq m (**£70.00 per sq ft**).

Value Added Tax

The property has been elected for VAT and therefore VAT will be payable on the sale price.

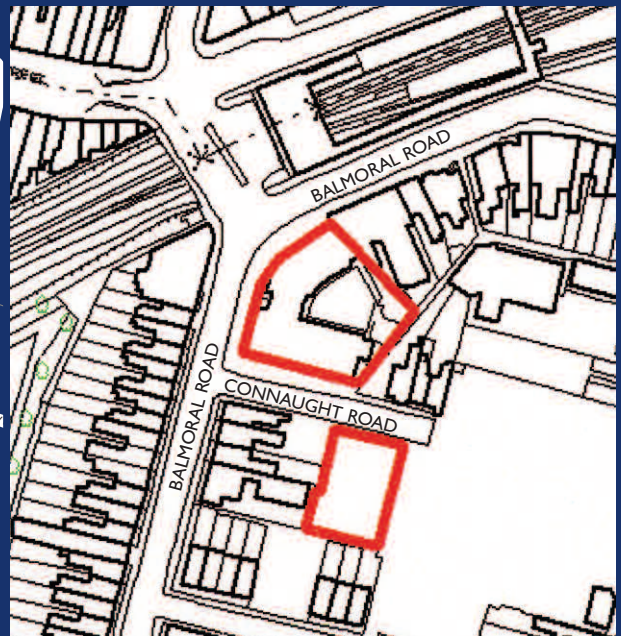
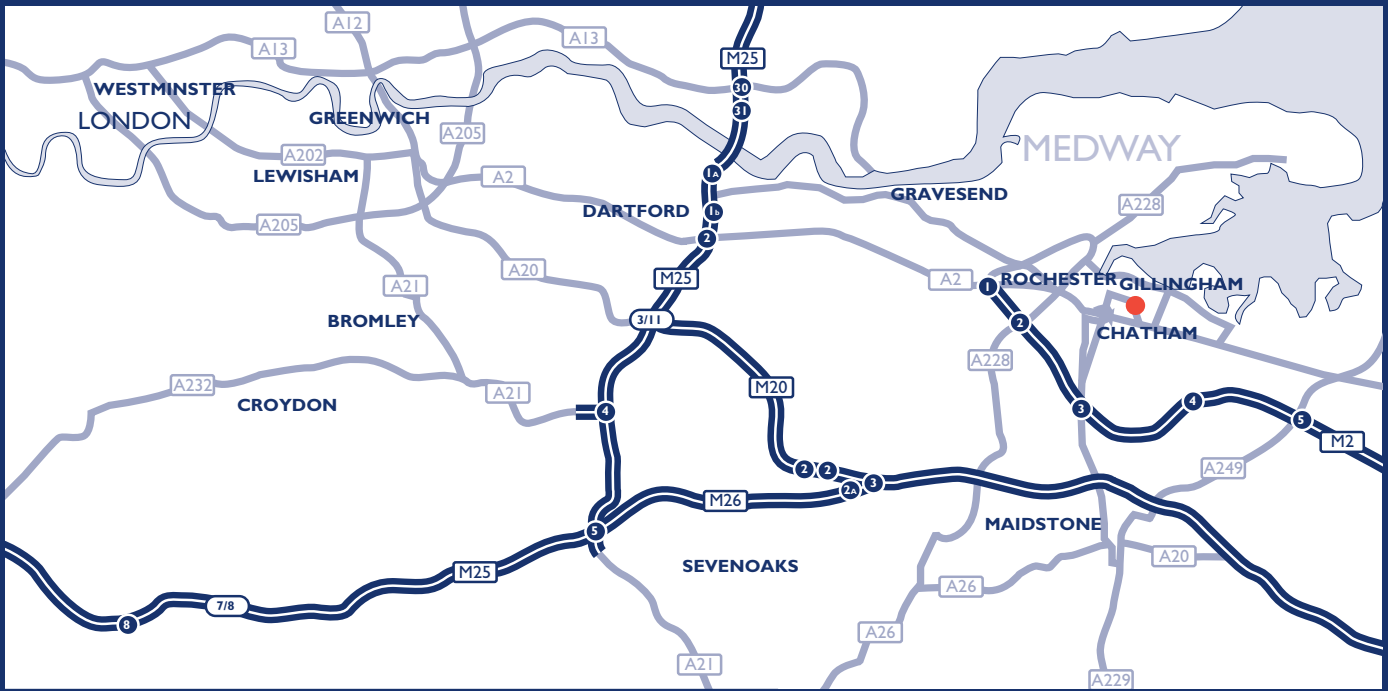
INVESTMENT CONSIDERATIONS

- Gillingham is strategically located in close proximity to London and the M25 and benefits from an excellent road network provided by the M2 and M20.
- The property is situated in a prime central location within the town centre.
- A high net initial yield of 7.5% and a reversionary yield of 9.4% on re-letting the part second floor.
- Low capital value equating to £755.00 per sq m (£70.00 per sq ft).
- Low average passing rent of £63.97 per sq m (£5.94 per sq ft) providing an excellent base for further rental growth.
- 57% of the total rent secured to Medway Council for a further eight years offering a medium-term income stream secured to an undoubted covenant.
- Multi-let investment providing a balanced risk profile.
- Active management opportunities to re-gear leases, action rent reviews, agree lease renewals and re-let accommodation.
- Break-up potential into two separate buildings subject to obtaining the necessary consents.
- Creation of retail unit(s) at ground floor level of the South Block subject to obtaining the necessary consents.
- Long term residential conversion potential subject to obtaining the necessary consents. We have been advised by local estate agents that prices for 1-bedroom flats are in the region of £80,000-£95,000 and 2-bedroom flats in the region of £100,000-£120,000.
- Development potential on the car park situated opposite the property. Indicative plans are available.



Car Park situated on Connaught Road

Address	Accommodation	Planning Uses	Car parking spaces	Tenant	Sq m	Sq ft	Current Rent	ERV (sq ft)	Review	Expiry	Unexpired Term	Comments
South Block	Entire	B1	15	Medway Council	1,264	13,601	£78,000 (£5.73)	£95,207 (£7.00)	29-Jun-07	28-Jun-12	7.75	
North Block	Ground Floor	A2	3	Bizbize Limited (trading as Remax Associates)	179	1,931	£12,000 (£6.21)	£13,517 (£7.00)	1-Jul-08	30-Jun-13	8.75	
	First Floor	B1	2	Medway Primary Care Trust	200	2,150	£12,500 (£5.81)	£15,050 (£7.00)	-	28-Jun-06	1.75	
	Part Second Floor	B1	1	Vacant	82	881	-	£6,167 (£7.00)	-	-	-	
	Part Second Floor	B1	2	Medway Council	121	1,302	£7,525 (£5.78)	£9,114 (£7.00)	-	24-Mar-03	-	Tenant holding over.
	Third Floor	B1	2	Secretary of State for Health	195	2,100	£11,500 (£5.48)	£14,700 (£7.00)	-	24-Mar-06	1.5	
	Telecom Cabin	Telecoms	-	T Mobile	-	-	£9,000	£9,000	6-Jan-05	5-Jan-10	5.25	
Total			25		2,041	21,965	£130,525	£162,755				



CONTACT INFORMATION

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Subject to Contract and Exclusive of VAT

November 2004