

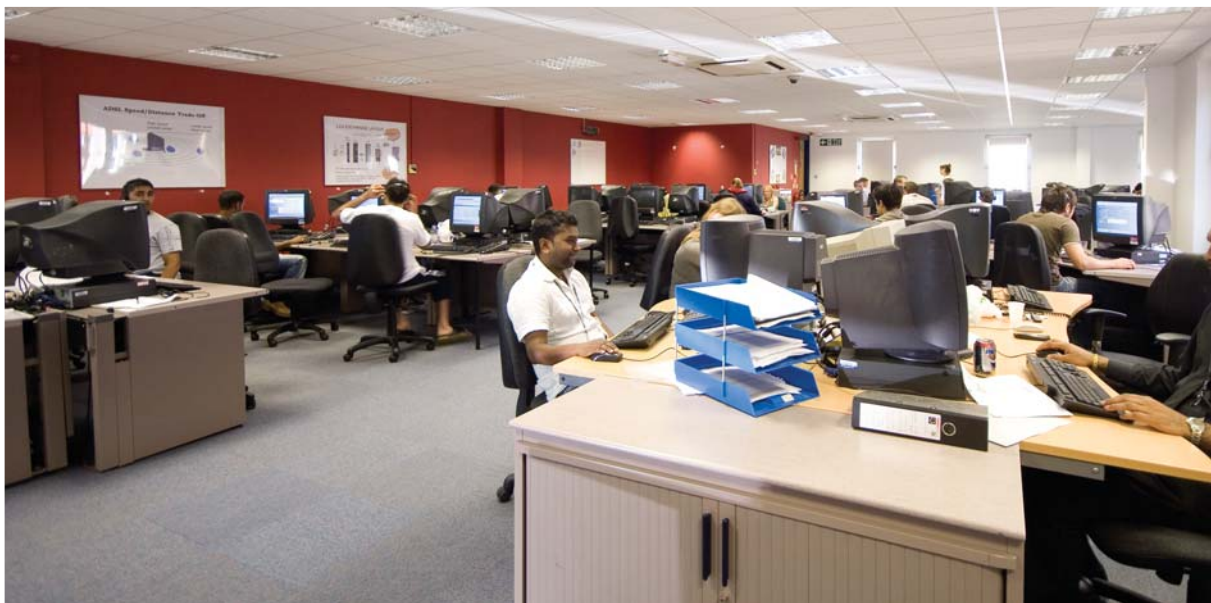
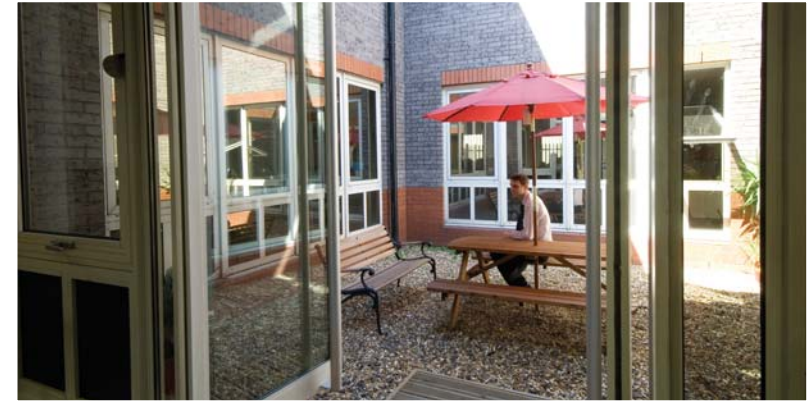


The Orient Centre

Greycaine Road, Watford, Hertfordshire

A modern terrace of 3 office buildings in Greater London

The Orient Centre Greycaine Road, Watford, Hertfordshire



Investment Summary

- Purchase price in excess of £6,500,000.
- Net initial yield of 7.5%.
- Capital value of £2,314 per sq m (£215 per sq ft) overall.
- Freehold.
- 3 self-contained, divisible and air-conditioned office buildings.
- Total net internal area of 2,809 sq m (30,233 sq ft).
- 129 car parking spaces providing a ratio of 1:22 sq m (1:234 sq ft).
- Site area of 0.7 hectares (1.7 acres).
- The sale includes an additional site of 0.2 hectares (0.4 acres) with development potential, subject to the necessary consents.

Location

Watford, in the county of Hertfordshire, is located 24.0 kilometres (15.0 miles) north west of Central London within the north-west quartile of the M25 motorway. Hemel Hempstead is 9.6 kilometres (6.0 miles) and St. Albans is 12.8 kilometres (8.0 miles) to the north-east of the town.

Watford is the principal office centre in the north-west M25 region due to its excellent communications network and a highly skilled workforce. A number of international and national office occupiers have chosen the town as the location of their UK headquarters. Major occupiers located in Watford include AXA Sun Life, JD Wetherspoon, Amey LaFarge, Taylor Woodrow, Total Fena Oil, BT, Hilton International, Camelot Group Plc and Sanyo Electronics.

Demographics

Watford has an urban resident population of 120,960 and an estimated catchment population within 10 kilometres of 480,000.

The town boasts a highly qualified and skilled workforce; 27.8% derive from Classes AB compared to the national total of 21.7%. Furthermore, unemployment at 2.7% is below the national average at 4.2%.

Watford is an affluent location; the CACI Lifestyle Groups of Wealthy Executives and Flourishing Families provides a collective total of 25.0% whilst the national average is only 17.4%. In addition, the level of home ownership at 75.8% is higher than the national average of 68.3%.

Sources: Focus
Census 2001

Communications

Watford has excellent communications via road, rail and air;

Junctions 5 and 6 of the M1 are situated 2.4 kilometres (3.0 miles) and 6.4 kilometres (4.0 miles) respectively to the north-east of the town centre providing access to Central London to the south and Leeds to the north. The A41 is 2.4 kilometres (1.5 miles) to the north east also providing access to Central London to the south and the M40 to the west. In addition, Junction 19 of the M25 motorway is 3.2 kilometres (2.0 miles) to the north west.

There are regular rail services from Watford Junction railway station to London Euston with a fastest journey time of approximately 18 minutes. The station also provides services to Milton Keynes, Birmingham and Manchester. Watford underground station is situated on the Metropolitan line providing a direct route to London via Baker Street. There are proposals for Crossrail to serve Watford Junction and for Eurostar services to be provided with direct links to Paris and Brussels.

Luton Airport is 24.0 kilometres (15.0 miles) to the north whilst Heathrow is 22.4 kilometres (14.0 miles) to the south.

Situation

The property is prominently positioned at the north end of Greycaine Road close to its junctions with Garnett Close and Brookside. The building is situated opposite a Booker Cash & Carry centre and is within walking distance of an Asda superstore.

The immediate area is an established commercial centre strategically located approximately 2.4 kilometres (1.5 miles) north of the town centre, 0.6 kilometres (0.4 miles) from Colne Way / Western Avenue (A41) and 1.6 kilometres (1.0 mile) from Junction 5 of the M1 motorway.

Watford North station provides a link to Watford Junction station. Both stations are situated a close distance to the property being approximately 0.5 kilometres (0.3 miles) and 2.3 kilometres (1.4 miles) to the south respectively.

Description

Built in 1989, The Orient Centre is of a steel framed construction with brick elevations under a pitched tiled roof. The property comprises a terrace of three self-contained office buildings arranged over ground and first floor levels.

The office accommodation benefits from suspended ceilings, Category II lighting, underfloor trunking, raised floors and double glazing. The majority of the accommodation benefits from tenant installed air-conditioning with the exception of the 1st floor of Unit 3 which is comfort cooled. In addition, each building benefits from a courtyard providing excellent natural light, a reception and disabled toilets at ground floor level, male and female toilets on each floor and an 8 person passenger lift.

Car parking is provided to the front of the buildings and opposite on a separate site.

Accommodation

We have been advised that the investment provides a total net internal floor area of **2,809 sq m (30,233 sq ft)**.

In addition, there are a total of **129 car parking spaces** providing a ratio of **1:22 sq m (1:234 sq ft)**.

The main site area is approximately 0.5 hectares (1.3 acres) whilst the separate car park opposite is approximately 0.2 hectares (0.4 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 **£516,470 per annum** equating to **£183.89 per sq m (£17.08 per sq ft)** overall.

The Ivy Group benefited from a break option in September 2006 which they did not exercise and negotiated a variation to the lease to provide rolling break options expiring in September 2007. Should the tenant determine the lease the vendor will provide a 1 year rental guarantee until September 2007 at £274,500 per annum equating to £161.46 per sq m (£15.00 per sq ft).

Please see the tenancy and accommodation schedule.

The Orient Centre Greycaine Road, Watford, Hertfordshire

Tenancy and Accommodation Schedule

Unit	Tenant	Accommodation sq ft	sq m	Rent per annum (per sq ft)	ERV per annum (per sq ft)	Start Date	Review	Expiry (Break)	Unexpired Term (years)	Comments
1	British Waterways Board	10,150	943	£162,500 (£16.01)	£162,400 (£16.00)	29-Aug-89	29-Sep-09	28-Sep-14	8.00	Sublet to Hurst Publishing Ltd t/a Autotrader Magazine. Outside the Act.
2	Ivy Group Ltd (Guarantor: Client Logic Ltd)	10,150	943	£184,500 (£18.18)	£162,400 (£16.00)	30-Sep-01	28-Sep-06	28-Sep-11 (28-Sep-07)	5.00	Rolling 10 week tenant's break option between Sep 06 to Sep 07.
3 Ground	Ivy Group Ltd (Guarantor: Client Logic Ltd)	4,953	460	£90,000 (£18.17)	£79,248 (£16.00)	30-Sep-01	28-Sep-06	28-Sep-11 (28-Sep-07)	5.00	The vendor will offer a 1 year rental guarantee throughout this period.
3 First	Barratt Homes Ltd	4,980	463	£79,470 (£15.96)	£79,680 (£16.00)	25-Dec-96	-	25-Dec-06	0.50	Tenant has indicated their intention to stay. New lease has not been negotiated yet.
Total		30,233	2,809	£516,470	£483,728					

Covenant

The British Waterways Board

The British Waterways Board manage and operate some 2,000 miles of canal and river navigations in England, Scotland and Wales. The organisation is sponsored by the Department of the Environment and is non-profit making reporting net assets of £419 million in March 2004.

Further information is available on the following website www.britishwaterways.co.uk.

Client Logic Ltd

Client Logic is a leading international business process outsourcing provider. The company's clients include Sony Corporation, DIRECTV, ABN AMRO and BT.

The Ivy Group Ltd was acquired by the Client Logic Group in 2000. In December 2004, the company reported net assets of £3.3 million.

Further information is available on the following website www.clientlogic.com.

Barratt Homes Ltd

Barratt Homes Ltd is a principal subsidiary of Barratt Developments Plc quoted on the London Stock Exchange. Established in 1958 the company is one of Britain's leading house builders. The company currently builds and sells over 14,000 new homes a year and have 430 developments in progress across the country.

In June 2005, Barratt Homes Ltd reported a turnover of £2 billion, a pre-tax profit of £352 million and net assets of £731 million.

Further information is available on the following website www.barratthomes.co.uk.

Hurst Publishing Ltd (sub-tenant)

Hurst Publishing Ltd is a well established publisher of classified automotive magazines including 'Autotrader'. In 1998, the company merged with an associated business to create Trader Media Group which now has an annual turnover in excess of £300 million and is a wholly owned subsidiary of Guardian Media Group Plc who reported net assets of £400m in April 2005.

Further information is available on the following website www.tradermediagroup.com.

Estimated Rental Value

The estimated rental value of the building is approximately **£483,000 per annum equating to £172.23 per sq m (£16.00 per sq ft)**.

We are aware of the following comparable evidence:

In March 2006, at Leavesden Park on North Western Avenue, Schwarz Farmer completed a 10 year lease at a rent of £216,000 per annum which equated to a headline rent of £193.76 per sq m (£18.00 per sq ft).

In November 2005, at the Belfry Business Park on Colonial Way, Shop Fittings Direct Ltd completed a 4 year lease at a rent of £91,516 per annum which equated to a headline rent of £183.00 per sq m (£17.00 per sq ft).

Freehold Vacant Possession Value

The quoting price is a discount to the achievable capital values for freehold offices with vacant possession within the north-west M25 quartile which are in the region of £2,691 to £3,767 per sq m (£250 to £350 per sq ft).

We are aware of the following comparable evidence;

In July 2006, at Consynse House, Bury Lane, Rickmansworth, an office was sold for a price equating to £3,767 per sq m (£350 per sq ft).

In June 2006, at Warwick Court, Warwick Road, Borehamwood, 5 offices were sold at prices equating to £2,745 per sq m (£255 per sq ft).

In September 2005, at Nash House, White Lion Road, Little Chalfont, 2 offices were sold at prices equating £2,960 per sq m (£275 per sq ft).

Development Potential

There is office or industrial development potential on the separate car park which has a site area of approximately 0.2 hectares (0.4 acres), subject to the necessary consents.

Proposal

We have been instructed to seek offers in excess of **£6,500,000** (Six Million and Five Hundred Thousand Pounds) reflecting a **net initial yield of 7.5%** and a **capital value of £2,314 per sq m (£215 per sq ft)** based upon costs at 5.7625%.

Value Added Tax

The property has been elected for VAT.

Investment Considerations

- An opportunity to acquire 3 self-contained, modern office buildings benefiting from a high quality specification including air conditioning and an excellent car parking ratio of 1:22 sq m (1:234 sq ft).
- Watford is the principal office centre in the north-west M25 region. The town benefits from a highly skilled workforce and an established corporate occupier base due in part to its strategic location only 2.4 kilometres (3.0 miles) from Junctions 5 and 6 of the M25 and lying only 24.0 kilometres (15.0 miles) north west of Central London.
- Attractive net initial yield of 7.5%.
- Strong tenant profile including the British Waterways Board, Hurst Publishing Ltd, Client Logic Ltd and Barratt Homes Ltd.
- Active management opportunities including a lease renewal with Barratt Homes Ltd and a re-gear with Ivy Group Ltd.
- Potential to break-up the terrace and sell the individual buildings to owner-occupiers and investors. The investment represents a discount to freehold vacant possession value which is in the region of £2,691 to £3,767 per sq m (£250 to £350 per sq ft).
- Development potential on the car park opposite the property with a site area of 0.2 hectares (0.4 acres), subject to the necessary consents.
- Passing rent is a discount to prime rents achieved in Watford at £263.72 per sq m (£24.50 per sq ft) therefore providing a low base and significant scope for future rental growth.
- The limited development pipeline in the town coupled with a recent increase in occupier demand will be strong drivers of rental growth.
- An opportunity to sell Unit 1 benefiting from a further 8 years unexpired to an undoubted covenant. Assuming an exit yield of 6.0 % this would reflect a yield of 8.5% on the remaining units.

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Not to Scale. For Indicative Purposes Only





**THE
ORIENT
CENTRE**



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