

Investment Summary

- Purchase price in excess of £6,200,000.
- Net initial yield of 5.3%.
- Reversionary yield of 6.6%.
- Modern office building benefiting from a high quality specification with air-conditioning.
- Total net internal area of 874 sq m (9,403 sq ft).
- Secure underground car parking for 11 spaces providing an excellent ratio of 1:79 sq m (1:855 sq ft).
- Passing rent on the office accommodation reflects £333.56 per sq m (£30.98 per sq ft) overall.
- Capital value of 7,093 per sq m (£659 per sq ft).
- Secured to The Institute of Cancer Research (The Royal Cancer Hospital), a D&B 5A1 covenant, for a further 6.75 years term certain.

Location

Located in the Royal Borough of Kensington & Chelsea, South Kensington is situated between Knightsbridge to the north east, Brompton and Belgravia to the east, Kensington to the north whilst Chelsea and the River Thames are situated to the south.

South Kensington comprises a mix of commercial uses and prime residential including numerous embassies, ambassadors' residences and international hotels. The area benefits from proximity to many of Central London's attractions including Harrods department store, shops and restaurants on the Kings Road and Brompton Cross, Kensington Gardens, Hyde Park, Earls Court & Olympia and museums including the Natural History, Victoria & Albert and Science Museum.

Communications

Old Brompton Road (A3218) runs parallel with Fulham Road (A308) to the south and Cromwell Road (A4) to the north which also provides access to the M4 to the west. The street is bounded by Thurloe Place to the east and Lillie Road to the west.

The immediate area provides good public transport facilities: South Kensington and Gloucester Road London Underground stations both run services on the Piccadilly, Circle and District Lines. Victoria mainline station is situated approximately 3.6 kilometres (2.0 miles) to the east providing services to the South Coast and Gatwick Airport via the Gatwick Express with a journey time of 30 minutes.

Heathrow Airport is located approximately 20.8 kilometres (13.0 miles) to the west. The Heathrow Express rail service has a journey time of 15 minutes from Paddington station situated 6.2 kilometres (3.9 miles) to the north of South Kensington.

Old Brompton Road is served by bus routes 14, 45 and 49.

Situation

The property is prominently situated at the eastern end of Old Brompton Road on its southern side at the junction with Roland Gardens. The prestigious and high value residential street, The Boltons is a short distance to the west.

Two underground stations are within easy walking distance of the property: Gloucester Road is approximately 0.5 kilometres (0.3 miles) to the north, whilst South Kensington is 0.7 kilometres (0.6 miles) to the east.

Old Brompton Road is one of London's most fashionable retail and residential locations. Occupiers in close proximity include the HR Owen Ferrari and Maserati car showroom adjacent, the well regarded Lundums restaurant and the acclaimed Blakes Hotel on Roland Gardens.

Description

The building was constructed in the 1980s of a steel and concrete frame incorporating cavity brick walls and double-glazed windows under a mansard style roof. The property comprises office accommodation on the raised ground and ground floors with residential accommodation on 5 upper floors.

The office accommodation benefits from excellent natural light on both floors, air conditioning, part underfloor and perimeter trunking, suspended ceilings, Category II lighting, 2 toilets (1 disabled) and a kitchen on each floor. There are two entrances to the raised ground floor and one entrance to the ground floor. The layout of each floor-plate could be adapted to accommodate the installation of a lift.

There are a total of 26 secure underground car parking spaces provided within the basement of the building.

Accommodation

We have been advised that the office accommodation provides a total net internal area of 874 sq m (9,403 sq ft) as agreed at the last rent review. In addition, the offices benefit from 11 car parking spaces which are located in the basement providing a ratio of 1:79 sq m (1:855 sq ft).

Please see the tenancy and accommodation schedule.

Tenure

Freehold.

Tenancy

The total passing rent is **£346,225 per annum**.

£320,000 per annum is derived from the lease on the office accommodation which equates to £333.56 per sq m (£30.98 per sq ft) overall assuming a rent of £4,770 per annum on each of the 6 car parking spaces included within the lease to The Institute of Cancer Research (The Royal Cancer Hospital).

The residential element has been sold off on long leases.

Please see the tenancy and accommodation schedule.

Covenant

The Institute of Cancer Research (The Royal Cancer Hospital) have a Dun & Bradstreet rating of 5A1 and have reported the following accounts:

Covenant	Date of Accounts	Turnover	Pre tax Profit	Net Assets
The Institute of Cancer Research (The Royal Cancer Hospital)	31 July 2005	£63.6m	£14.5m	£123m

The Institute was established in 1909 to implement research into the causes of cancer and to develop new strategies for its prevention, diagnosis, treatment and cure. In conjunction with the Royal Marsden NHS Foundation Trust, The Institute forms the largest comprehensive cancer centre in Europe and is one of the leading centres in the world.

The Institute is committed to the building due to its proximity to the Fulham Road where the Chester Beatty Laboratories (which is within the same organisation) and The Royal Marsden NHS Trust (a partnership trust) are both located.

Further information is available at www.icr.ac.uk.

Estimated Rental Value

The total estimated rental value of the investment is approximately **£433,000 per annum** equating to £430.57 per sq m (£40.00 per sq ft) on the office accommodation, £4,770 per car parking space and £4,750 per annum on the residential ground rent income which increases in 2010.

Recent rental evidence for offices in close proximity to the property is as follows:

In June 2006, at 95 Cromwell Road (2nd floor), is being marketed at a rent of £450,000 per annum which equates to £484.39 per sq m (£45.00 per sq ft). We understand that the refurbished floor is shortly to be placed under offer at close to the quoting rent.

In May 2006, at 37/39 Thurloe Street (1st to 3rd floors), Lecico UK Ltd completed an 8 year lease with a tenant's break option in the 5th year at a rent of £76,000 per annum which equated to £434.02 per sq m (£40.32 per sq ft) overall. The tenant was granted a 1 month rent free period. The refurbished accommodation was arranged over three floors and did not benefit from a lift or air-conditioning.

In July 2005, at Trevor House (7th floor), 100 Brompton Road, Allied Commercial Developments Ltd completed a 15 year lease with a tenant's break option in the 10th year at a rent of £165,000 per annum which equated to £645.86 per sq m (£60.00 per sq ft). The building was a recent Grade A development.

Freehold Capital Value

The purchase price reflects a capital value of 7,093 per sq m (£659 per sq ft), a discount to the freehold vacant possession value. We are aware of a freehold un-refurbished office building with vacant possession which sold in October 2005 at 56 Ennismore Gardens at a price of £5.1m reflecting £13,068 per sq m (£1,214 per sq ft).

Proposal

We have been instructed to seek offers in excess of **£6,200,000** (Six Million and Two Hundred Thousand Pounds) reflecting **a net initial yield of 5.3%** and **a reversionary yield of 6.6%** based upon costs at 5.7625%.

Value Added Tax

The property has not been elected for VAT.

Tenancy and Accommodation Schedule

FLOOR	SECTOR	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
Raised Ground	Office	Institute of Cancer Research (The Royal Cancer Hospital)	5,402	502			17-Feb-98	17-Feb-08	16-Feb-23 (17-Feb-13)	16.75	Equated rent assumes a value for the car parking at a rate of £4,770 per space per annum.
Ground			4,001	372				(17-Feb-18)			
Sub-Total	Car Parking	Institute of Cancer Research (The Royal Cancer Hospital)	6 spaces								
			9,403	874	£320,000 (£30.98)	£404,740 (£40.00)					
	Residential	Various	22,260	2,068	£2,375	£4,750	24-Jun-85	23-Jun-10	23-Jun-2135	129	Ground rents double every 25 years.
	Car Parking	Various	5 spaces		£23,850	£23,850					Let on licences.
TOTAL			31,663	2,941	£346,225	£433,340					

Investment Considerations

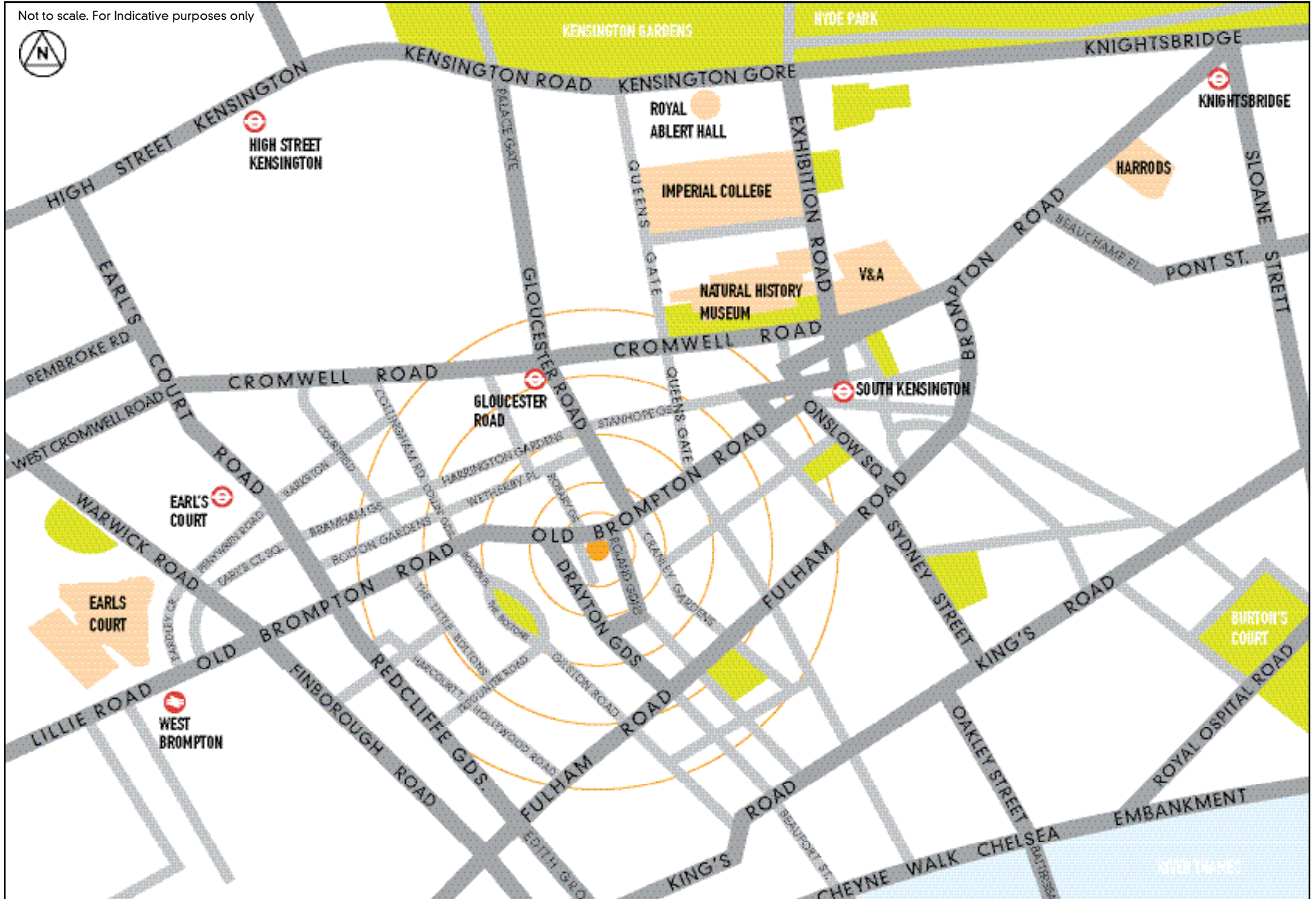
- South Kensington is an exclusive and highly affluent Central London location whilst Old Brompton Road is one of London's most fashionable retail and residential locations providing a vibrant and cosmopolitan environment.
- Well located for office occupiers being within easy walking distance of both Gloucester Road and South Kensington underground stations.
- Attractive and modern building providing high quality office accommodation benefiting from air-conditioning.
- Excellent car parking ratio for Central London at 1:79 sq m (1:855 sq ft).
- Secured to a D&B 5A1 covenant for a further 6.75 years unexpired.
- The Institute is committed to the building due to its proximity to the Fulham Road where the Chester Beatty Laboratories and The Royal Marsden NHS Trust are both located.
- The passing rent on the office accommodation at only £333.56 per sq m (£30.98 per sq ft) overall is reversionary.
- Attractive reversionary yield of 6.6%.
- The purchase price equates to a capital value of 7,093 per sq m (£659 per sq ft), a discount to vacant possession value based on recent evidence at £13,068 per sq m (£1,214 per sq ft).
- Each floor benefits from its own entrance and therefore could be let individually.
- Opportunity to utilise the roof space or erect an additional floor, subject to the necessary consents, there is a precedent on the opposite building - Somerset House, 121 Old Brompton Road.
- Potential for change of use to residential, subject to the necessary consents. Residential values in this location are in excess of £10,764 per sq m (£1,000 per sq ft). We understand that agents are quoting prices reflecting £16,146 per sq m (£1,500 per sq ft) for the penthouse apartments at Somerset House.



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Subject to Contract and Exclusive of VAT



FURTHER INFORMATION



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