



astral TOWERS

MANOR ROYAL BUSINESS PARK | CRAWLEY

FREEHOLD OFFICE INVESTMENT

astral★ TOWERS

investment summary

Asset Information

Size: 118,673 sq ft

Vacancy: 4.2%

Rent: £2,024,598 pa

Rent psf: £15.82 (on let, excl. car park licence income)

Market Rent: £2,505,682 pa

Market Rent psf: £19.64 (excl. car park licence income)

WAULT: 3.6 years to expiries and 2.5 years to breaks

Tenure: Freehold

- Highly specified, landmark South East office building arranged over 118,673 sq ft across ground and seven upper floors.
- Prominent location on Manor Royal Business Park, one of the most established business locations in the South East, providing strategic access to Gatwick Airport.
- A total passing rent of £2,024,598 per annum. This equates to £15.82 per sq ft overall on the let accommodation, excluding the car parking income.
- Let to 11 tenants on 13 occupational leases, including British Airways, Avios, Elekta, Aerdata (with a guarantee from Boeing), Westcon, Tesco, Concur and Snap Fitness.
- 95% of the income is let to tenants with a Credit Rating score of over 80/100 'Secure' (from FAME and Dun & Bradstreet).
- Over 50% of the income is from tenants directly related to air travel and benefitting from Astral Towers' proximity to Gatwick Airport.
- Significant reversionary potential, with the recent letting on the Third Floor to IAGO Solutions at £22.50 per sq ft providing the latest rental evidence within the building. The property has a total overall Market Rent of £2,505,682 per annum.
- A WAULT of approximately 3.6 years to expiries and 2.5 years to breaks, which allows the opportunity to significantly increase rents in the short to medium term.
- A low vacancy rate of 4.2%.
- Benefits from considerable recent capital expenditure, with over £2 million invested over the last three years (including £685,000 on refurbishing the cladding, £150,000 to replace the chiller and £390,000 on refurbishing the sixth floor).
- An exceptional car parking provision, with 624 spaces providing a ratio of 1:190 sq ft.
- Benefits from a number of asset management opportunities including letting the vacant accommodation.
- Offers are invited in excess of **£25,700,000 (Twenty Five Million Seven Hundred Thousand Pounds)**, Subject to Contract and exclusive of VAT.
- This reflects a **Net Initial Yield of 7.38%** and a **Reversionary Yield of 9.13%** (assuming purchaser's costs of 6.76%) and a capital value of **£217 per sq ft**.

Prominently located on Manor Royal Business Park, one of the most established business locations in the South East.



GATWICK AIRPORT



astral
TOWERS

HAYES & JARVIS

ACORN RETAIL PARK
Now trading including
M&S Food

WICKES

COUNTY OAK RETAIL PARK

ROYAL MAIL

PREMIER INN

ELEKTA

ELEKTA
new headquarters
building

VIRGIN ATLANTIC

BOEING

THALES

A23 LONDON ROAD

location

Gatwick / Crawley is an established office location within the county of West Sussex, lying approximately 32 miles south of London and 22 miles north of Brighton.

The town benefits from excellent transport communications and Crawley town centre lies approximately four miles south of London Gatwick Airport, the UK's second largest airport serving over 220 locations around the world and generating approximately 23,000 on-airport jobs and a further 13,000 related jobs.

There are also excellent road connections as the town is located approximately two miles west of the M23 motorway, which directly links (via Junctions 10, 10A and 11) to Junction 7 of the M25 giving access to London to the north and the South Coast to the south.

Additionally, there is a fastest journey time of 28 minutes to London Bridge from Three Bridges Station (to the east of the town centre).



situation

The property is situated on Manor Royal Business Park, approximately 1.5 miles north of Crawley town centre and two miles south of Gatwick Airport. The property is prominently located fronting the A23 (London Road), which acts as one of the major links between Crawley and Gatwick Airport. There is easy access to the M25 motorway via the M23 motorway from either Junction 9 (2.5 miles to the east) or Junction 10 (3.5 miles to the east).

Manor Royal is one of the largest business districts in the South East and a major mixed use employment area. It consists of approximately 600 acres of industrial and office uses as well as leisure and retail offerings. Approximately 500 businesses create 30,000 jobs within the park. Occupiers are from a wide variety of sectors including financial, professional services, manufacturing and a number of airline and travel businesses due to the proximity of the park to Gatwick Airport.

The park also benefits from a number of amenities, with Tesco Express part of the subject property and the adjacent recently developed Acorn Retail Park complementing the Tesco offering with an M&S Simply Food, an Aldi and a Smyths Toys. There is also a Premier Inn and Ibis Hotel nearby and County Oak Retail Park lies to the south of the property, having been completed in 2016, and providing one of Crawley's premier out of town retail destinations.



description



Astral Towers comprises 118,673 sq ft arranged over ground and seven upper floors. The ground floor comprises a Tesco retail unit, the office accommodation let to Concur and a Snap Fitness gym unit. The upper floors provide good quality office accommodation consisting of a north and south wing constructed around a central core area.

The property was extensively refurbished in 2012 and has also significantly benefitted from the recent 2017 phased refurbishment of the external cladding and replacement of the chiller. It benefits from the following specification including:

- Suspended ceilings
- Raised floors
- Perimeter trunking
- Four pipe fan coil comfort cooling
- Category II lighting
- Double glazed windows
- Four 20 person passenger lifts
- Male and female WCs on each floor
- Recently significantly refurbished external cladding on the East and South elevations
- New chiller recently installed which serves the whole building.
- 624 car parking spaces providing an exceptional ratio of 1:190 sq ft.



The property has benefitted from considerable capital expenditure in 2017 with the cladding recently refurbished and the chiller unit replaced.

capital expenditure

Over £2 million has been invested in the property over the last three years, following a significant refurbishment in 2012.

2012

The following improvement works were undertaken as part of an extensive refurbishment of the building's common parts in 2012:

- Creation of a new reception
- Refurbishment of the lifts and installation of new operating gear
- Male and female WCs on every floor
- Refurbishment of the lift lobbies (including new ceilings, carpets and lighting)

2017

The asset has recently undergone considerable additional refurbishment, with extensive work undertaken to the cladding and the replacement of the chiller unit at a combined cost of £835,000.

- £150,000 was spent on the replacement of the chiller, which is being recovered via the service charge over the 2017, 2018 and 2019 service charge years.
- £685,000 was spent on the refurbishment of the cladding on the Eastern and Southern elevations. £185,000 of this is being recovered via the service charge over the same three year period, with the landlord contributing the remaining balance of approximately £500,000 as part of its original investment strategy.
- Additionally, the landlord has undertaken works including: FCU replacement works totalling £352,000 (recovered over the last three years through the service charge); refurbishment of the sixth floor totalling £390,000; conversion of ground floor cafe to office accommodation totalling £290,000; and car park works totalling £225,000.

accommodation

The property has been measured in accordance with the RICS Code of Measuring Practise (6th Edition). A Plowman Craven Measured Survey dated May 2017 is assignable on request and provides the following net internal areas:

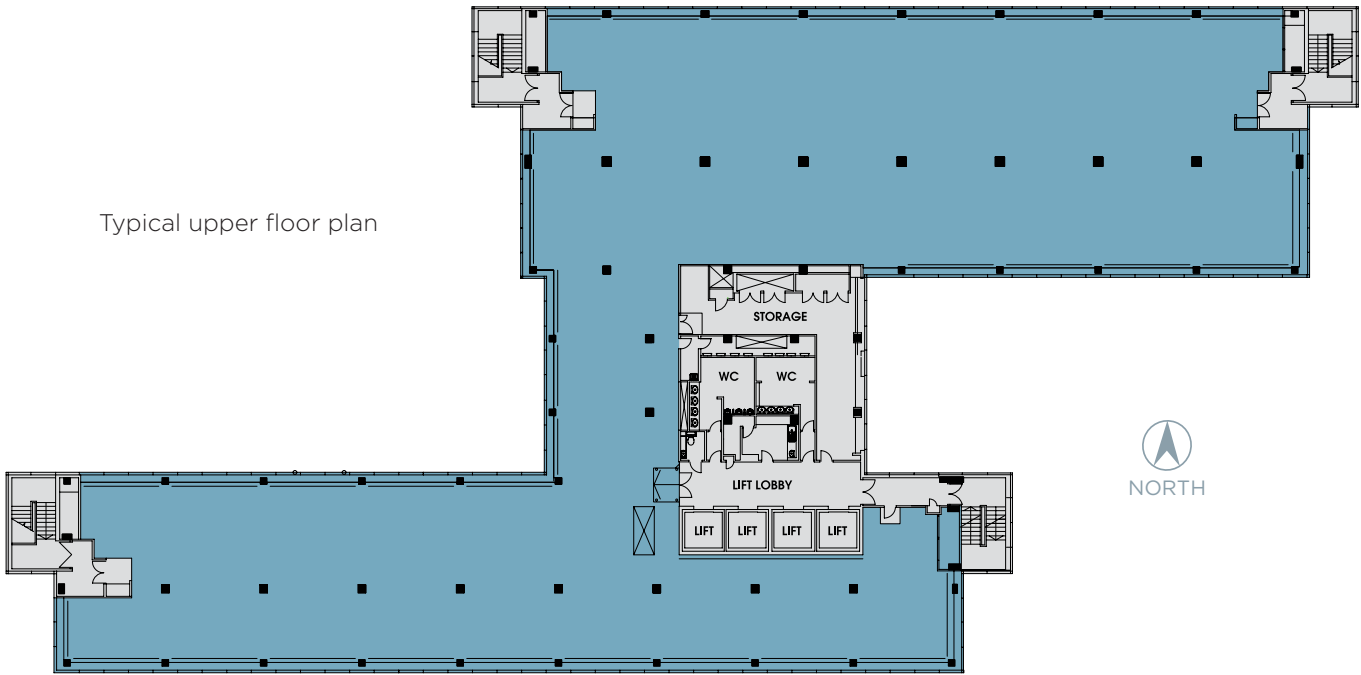
tenure

Freehold.



Floor	NIA (sq ft)	NIA (sq m)
Ground Floor / Retail (by leased areas)		
Unit B	4,144	385.1
Unit C	7,603*	706.3
Offices (by leased areas)		
Part Ground Floor (Store)	630	58.5
First Floor	14,507	1,347.7
Second & Third Floor (North)	23,457	2,179.2
Third Floor (South) - Suite A	1,372*	127.5
Third Floor (South) - Suite B	4,047*	376.0
Fourth Floor (North)	8,894	826.3
Fourth Floor (South) & Ground Floor - Suite A	8,409	781.2
Fifth Floor (South)	5,490	510.0
Fifth Floor (North)	8,991	835.3
Sixth Floor	14,530	1,349.9
Seventh Floor & Part Ground Floor	15,712	1,459.7
Eighth Floor	887	82.4
Total	118,673	11,025.1

*Agent measurements.



Typical upper floor plan

Plan not to scale. For indicative purposes only.



asset management

Astral Towers provides the opportunity to undertake a number of asset management initiatives in order to increase the amount and length of income including:

- Letting the remaining vacant Third Floor space and growing the office rental profile throughout the building by taking advantage of the reversionary nature of the income, as evidenced by the recent part Third Floor letting to IAGO Solutions at £22.50 per sq ft.
- Exploring the opportunity to split floors to capitalise on demand for smaller office floorplates within the Crawley occupational market, again as evidenced by the recent letting of part of the Third Floor to IAGO Solutions.
- Rentalising the eighth floor suite, which is currently utilised by the onsite management team, by fully refurbishing the floor. The nature of the space and the views would likely lead to a high rental value being achieved.
- Taking advantage of upcoming lease events and rent reviews to achieve a rental uplift based on recent evidence.
- Re-gearing existing leases in order to extend the WAULT of the property and create a longer, robust income profile.

the site

The site extends over an area of 6.56 acres (2.67 hectares).



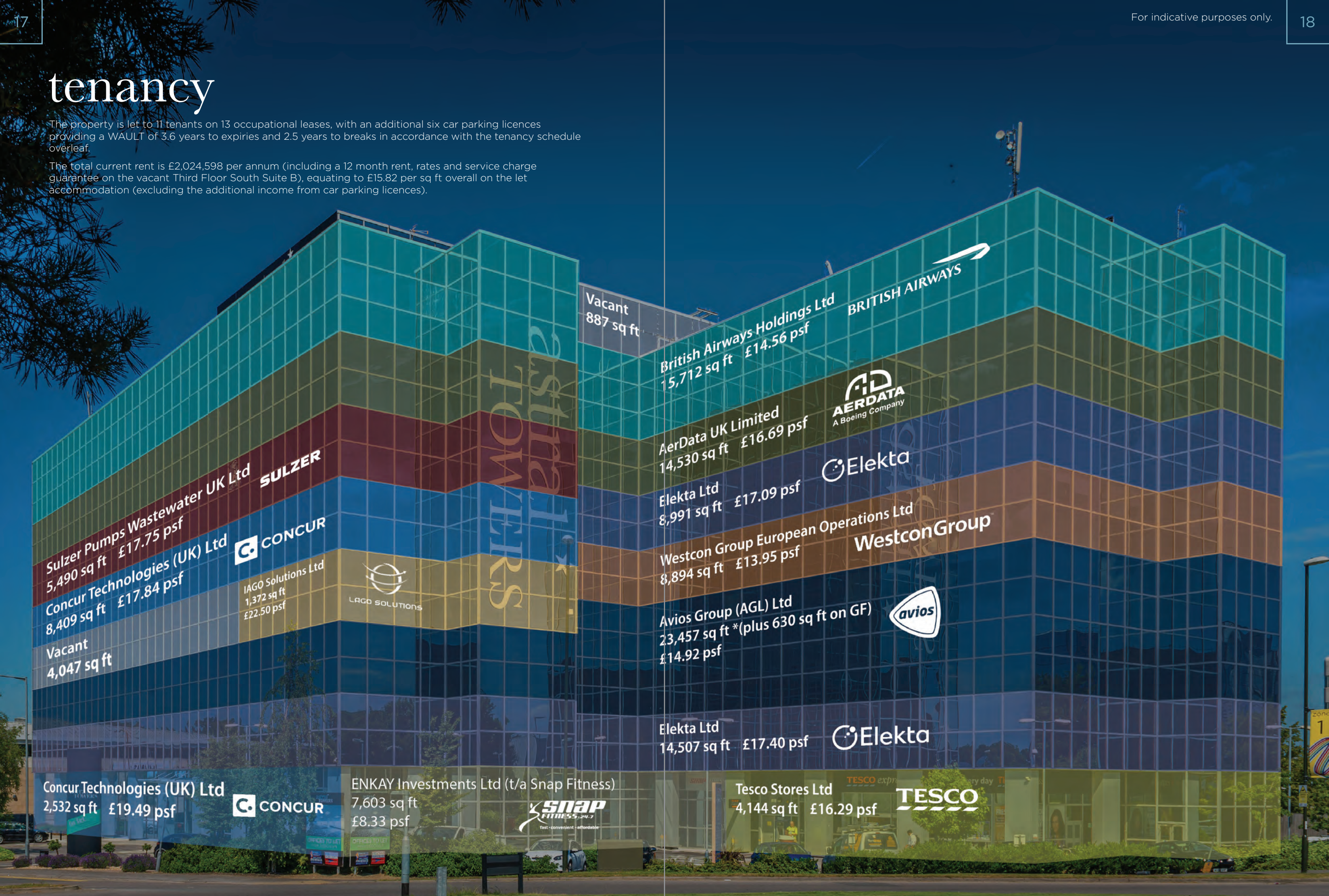
Plan not to scale. For indicative purposes only.



tenancy

The property is let to 11 tenants on 13 occupational leases, with an additional six car parking licences providing a WAULT of 3.6 years to expiries and 2.5 years to breaks in accordance with the tenancy schedule overleaf.

The total current rent is £2,024,598 per annum (including a 12 month rent, rates and service charge guarantee on the vacant Third Floor South Suite B), equating to £15.82 per sq ft overall on the let accommodation (excluding the additional income from car parking licences).



Sulzer Pumps Wastewater UK Ltd
5,490 sq ft £17.75 psf

Concur Technologies (UK) Ltd
8,409 sq ft £17.84 psf

Vacant
4,047 sq ft

SULZER

CONCUR

IAGO Solutions Ltd
1,372 sq ft
£22.50 psf

IAGO SOLUTIONS

Concur Technologies (UK) Ltd
2,532 sq ft £19.49 psf

CONCUR

ENKAY Investments Ltd (t/a Snap Fitness)
7,603 sq ft
£8.33 psf

SNAP FITNESS
fast - convenient - affordable

Vacant
887 sq ft

British Airways Holdings Ltd
15,712 sq ft £14.56 psf

BRITISH AIRWAYS

AerData UK Limited
14,530 sq ft £16.69 psf

AERDATA
A Boeing Company

Elekta Ltd
8,991 sq ft £17.09 psf

Elekta

Westcon Group European Operations Ltd
8,894 sq ft £13.95 psf

WestconGroup

Avios Group (AGL) Ltd
23,457 sq ft *(plus 630 sq ft on GF)
£14.92 psf

avios

Elekta Ltd
14,507 sq ft £17.40 psf

Elekta

Tesco Stores Ltd
4,144 sq ft £16.29 psf

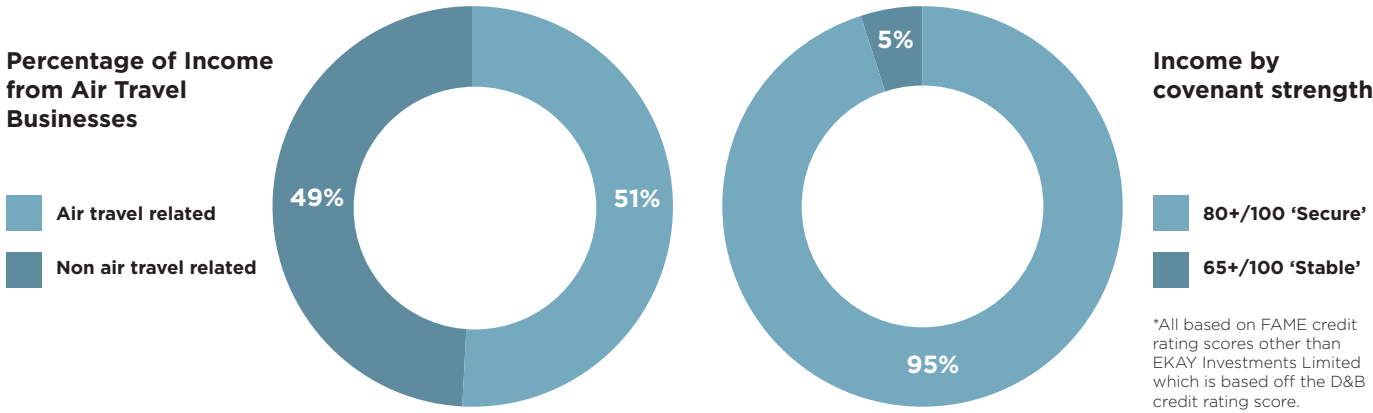
TESCO

tenancy schedule

	Tenant	Description	Area (sq ft)	CP Spaces - Lease	CP Spaces - Licence	Lease Start	Lease Expiry	Rent Review	Break Option	Marketing Rent (£pa)	Marketing Rent (psf)	ERV (psf)	ERV (£pa)	Comments	WALE	WALB
Ground Floor Retail Units¹																
Unit B	Tesco Stores Limited	Retail	4,144	18		11-Oct-12	10-Oct-32	11-Oct-17	11-Oct-22	£67,774	£16.35	£17.50	£72,520	The current passing rent is £60,000 pa, which is reviewed to RPI. The estimated minimum increase at the October 2017 review date will be £67,774 pa. There are further rent reviews on 11 October 2022 and 11 October 2029.	15.1	5.1
Unit C	ENKAY Investments Limited (t/a Snap Fitness)	Gym / Leisure	7,603	28		17-Mar-17	16-Mar-32	17-Mar-22	17-Mar-27	£63,300	£8.33	£9.00	£64,521	From 17 June 2017 to 16 June 2018 the rent will be £31,650 pa. From 17 June 2018 to 17 March 2022 the rent will be £63,300 pa. The vendor will top this up. Service charge cap of £9,200 pa. which falls away on the tenth anniversary of the lease commencement. Break option requires 12 months' notice. There is a further rent review on 17 March 2027 and the rent review uplifts are capped at 3% compounded annually.	14.5	9.5
Offices																
First Floor	Elekta Limited	Office	14,507	70		10-Jul-16	31-Mar-18			£252,456	£17.40	£19.75	£286,513	Service charge cap of £132,026 pa. Outside the 1954 Act. Schedule of Condition. The vendor will provide a 12 month rent, rates and service charge guarantee from 31 March 2018.	0.5	0.5
Part Ground Floor (Store)	Avios Group (AGL) Limited	Storage Space	630	0		12-Aug-16	24-Apr-19			£4,852	£7.70	£7.75	£4,883	Outside the 1954 Act.	1.6	1.6
Second Floor and Third Floor (North)	Avios Group (AGL) Limited	Office	23,457²	132		25-Apr-15	24-Apr-19			£350,039	£14.92	£20.00	£469,140	Reversionary lease to 24 April 2019. Service charge cap of £262,475 pa. Outside the 1954 Act. Schedule of Condition on the Second Floor only.	1.6	1.6
Third Floor (South) - Suite A	Iago Solutions Limited	Office	1,372	6		25-Aug-17	24-Aug-22		25-Aug-20	£30,870	£22.50	£22.50	£30,870	Three months' rent free granted from the commencement of the term. The vendor will top this up. Service charge cap of £15,268 pa. Outside the 1954 Act.	5.0	3.0
Third Floor (South) - Suite B	Vacant	Office	4,047	18						£82,964	£20.50	£20.50	£82,964	Vendor to provide 12 month rent, rates and service charge guarantee from completion.	0.0	0.0
Fourth Floor (North)	Westcon Group European Operations Limited	Office	8,894	49		06-Feb-13	05-Feb-23	06-Feb-18		£124,033	£13.95	£20.50	£182,327	Service charge cap of £74,061 pa.	5.4	5.4
Fourth Floor (South) (inc. Ground Floor Suite A)	Concur Technologies (UK) Limited	Office	8,409³	34		07-Nov-16	06-Nov-26	07-Nov-21	07-Nov-22	£150,036	£17.84	£19.49	£163,921	Service charge cap of £89,496 pa. Break option requires six months' notice. At term commencement, rent agreed at £18.90 psf. Tenant entitled to rent free period of three months if break is not exercised.	9.2	5.2
Fifth Floor (South)	Sulzer Pumps Wastewater UK Ltd	Office	5,490	24		20-Mar-16	19-Mar-26	20-Mar-21	20-Mar-21	£97,448	£17.75	£20.50	£112,545	Break option requires nine months' notice.	8.5	3.5
Fifth Floor (North)	Elekta Limited	Office	8,991	42		31-Oct-16	31-Mar-18			£153,622	£17.09	£20.50	£184,316	Service charge cap of £80,631 pa. Outside the 1954 Act. Schedule of Condition. The vendor will provide a 12 month rent, rates and service charge guarantee from 31 March 2018.	0.5	0.5
Sixth Floor	AerData UK Limited (The Boeing Company)	Office	14,530	64		24-Mar-16	23-Mar-21			£242,505	£16.69	£21.00	£305,130	Tenant has option to renew at Market Rent for a further five years at lease expiry. Service charge cap of £147,510 pa. Outside the 1954 Act. At term commencement, rent agreed at £16.85 psf.	3.6	3.6
Seventh & Part Ground Floor	British Airways Holidays Limited	Office	15,712⁴	84		25-Apr-15	24-Apr-19			£228,800	£14.56	£21.00	£329,952	Reversionary lease to 24 April 2019. Service charge cap of £167,340 pa. Outside the 1954 Act. Schedule of Condition.	1.6	1.6
Eighth Floor	Vacant	Office	887							£0	£0.00	£25.00	£22,175		0.0	0.0
Roof Mast	Cornerstone Telecommunications Infrastructure Limited					04-Jul-15	03-Jul-30		04-Jul-20	£15,000			£15,000	Previously Vodafone. Lease renewal agreed for a 15-year term from July 2015 and being documented. There is a rolling break option with 12 months' notice anytime after the fifth year of the term.	12.8	2.8
Lease Sub-Totals			118,673	569						£1,863,698	£15.82	£19.64	£2,330,682		3.83	2.60
CP Space Licenses																
Car Spaces	British Airways Holidays Limited	Car Parking Licence			38	24-Jan-14	24-Apr-19			£32,300	£850	£1,000	£38,000		1.6	1.6
Car Spaces	British Airways Holidays Limited (additional licence)	Car Parking Licence			10	11-Dec-15	24-Apr-19			£8,500	£850	£1,000	£10,000		1.6	1.6
Car Spaces	British Airways Holidays Limited (additional licence)	Car Parking Licence			41	29-Jun-16	24-Apr-19			£41,000	£1,000	£1,000	£41,000	Additional 15 spaces added by Variation Notice dated Feb 2017.	1.6	1.6
Car Spaces	Avios Group Limited	Car Parking Licence			46	24-Jan-14	24-Apr-19			£39,100	£850	£1,000	£46,000		1.6	1.6
Car Spaces	Avios Group Ltd (additional licence)	Car Parking Licence			10	12-Feb-17	24-Apr-19			£10,000	£1,000	£1,000	£10,000		1.6	1.6
Car Spaces	Westcon Group European Operations Limited	Car Parking Licence			30	27-Aug-17	26-Aug-19			£30,000	£1,000	£1,000	£30,000		2.0	2.0
Licence Sub-Total					175					£160,900			£175,000		1.70	1.70
TOTAL			118,673	744						£2,024,598			£2,505,682		3.64	2.51

¹ Suite A on the Ground Floor is let to Concur Technologies (UK) Limited as part of its lease of the Fourth Floor (South)
² Measurement broken down as follows: Second Floor - 14,493 sq ft; Third Floor (North) - 8,964 sq ft
³ Measurement broken down as follows: Suite A (Ground Floor) - 2,532 sq ft; Fourth Floor (South) - 5,877 sq ft
⁴ Measurement broken down as follows: Part Ground Floor - 1,231 sq ft; Seventh Floor - 14,481 sq ft

covenant



covenant

Tesco Stores Limited (00519500) – 3.3% of the rental income

Tesco Stores Limited is a subsidiary of the UK’s largest retailer Tesco Plc. The company operates from 6,553 stores across 12 countries in Europe and Asia. It is the world’s ninth largest retailer in terms of revenues and is listed on the London Stock Exchange with a current market capitalisation of £13.8 billion. Within the UK, Tesco has the largest market share of any other supermarket operator at 28% and operates from 3,433 stores. These are split across the Tesco Extra, Tesco Superstore, Tesco Express (these three comprise 90% of the company’s store formats), Tesco Metro, One Stop and Tesco Dotcom formats. Tesco Stores Limited has a Fame Credit rating of 92/100 ‘Stable’, reflecting a minimal risk of business failure.

	27/02/2016	28/02/2015	22/02/2014
Turnover	£39,843,000,000	£42,278,000,000	£42,547,000,000
Profit / (Loss) Before Taxation	(-£231,000,000)	(-£3,727,000,000)	£1,696,000,000
Tangible Net Worth	£1,077,000,000	(-£98,000,000)	£3,038,000,000



ENKAY Investments Limited (ta Snap Fitness) (09538577) – 3.1% of the rental income

Snap Fitness is a privately owned and operated health and fitness club with over 2,000 clubs open or in development in 15 countries around the world. There are currently over a million members of the club worldwide. The company differentiates itself through providing a more affordable gym option with no contracts, state of the art equipment, personal training offerings and 24/7 access. The chain was founded in the USA in 2003 and operates in 48 states, with a presence in Canada, Mexico, India and New Zealand, as well as the UK. ENKAY Investments Limited is the franchisee trading as Snap Fitness and has a D&B failure score of 75/100, reflecting a low to moderate risk of business failure.



IAGO Solutions Limited (05302353) – 1.6% of the rental income

IAGO Solutions Limited is the operating company of the Thomas Cook Platinum Pilot Scheme. The scheme is a commercial pilot training programme for Thomas Cook Airlines available to ATPL (Airport Transport Pilot Licence) holders of all experiences and backgrounds without the need to self sponsor. Candidates are trained to covert to the Airbus A320 and on completion have a conditional employment offer with Thomas Cook Airlines UK. IAGO Solutions has a Fame Credit rating of 69/100 ‘Stable’.



Cornerstone Telecommunications Infrastructure Limited (CTIL) (08087551) – 0.7% of the rental income

Cornerstone Telecommunications Infrastructure Limited (CTIL) was founded in 2012 as a joint venture between Vodaphone and Telefonica to manage the network sites for both companies including the consolidation of sites to create a single grid. Cornerstone Telecommunications Infrastructure Limited has a Fame Credit rating of 86/100 ‘Secure’, reflecting minimal risk of business failure.

	31/03/2017	31/03/2016	31/03/2015
Turnover	£318,203,000	£269,283,000	£277,074,000
Profit / (Loss) Before Taxation	(-£92,817,000)	(-£85,991,000)	(-£71,445,000)
Tangible Net Worth	£612,744,000	£706,418,000	£792,011,000



Elekta Limited (03244454) – 20.1% of the rental income

Elekta is a human care company pioneering innovations and clinical solutions for treating cancer and brain disorders. The company has expanded into a public medical technology group with more than 3,600 employees worldwide. It is headquartered in Sweden and listed on the NASDAQ Stockholm. Elekta Limited has a Dun & Bradstreet rating of 5A 1 and a FAME credit rating of 86/100 ‘Secure’, reflecting a minimal risk of business failure.



Gatwick airport

220 destinations

90 countries

44m passengers

£272m invested in 2016

36,000 jobs created

The property draws significant benefit from its proximity to the UK’s second largest airport.

Gatwick reported that 2016 saw it carry over 44 million passengers in a year for the first time ever after its annual results showed an increase of 3.2 million annual passengers (7.7% year-on-year growth).

The majority of these (approximately 37 million passengers) travelled on short-haul flights between Europe and the UK but there has also been an expansion of its long-haul flight capacity, with the airport now offering 60 long-haul routes. This is exemplified by the new China Airlines route from London to Taipei opening in December.

On the release of its June 2017 annual results, the airport’s pre-tax profits were down from £141 million to £131.8 million due to its higher operating costs. However, Gatwick invested £272 million in the financial year, with improvements including a new bag drop area for Easyjet, security gates and an upgraded British Airways and Virgin Atlantic VIP lounge.

The strength of the recent results and expansion being seen at Gatwick only serves to enhance its pull to potential occupiers. The airport serves 220 destinations (more than any other UK airport) in 90 countries and remains a significant economic driver for the South East, generating approximately 23,000 jobs directly related to the airport and an additional 13,000 jobs through related activities.



occupational market

Along with the wider South East occupational market, Crawley/Gatwick has witnessed a consistent level of take-up and diminishing supply which is likely to continue to drive increasing rental values moving forward.

The Gatwick/Crawley office market is one of the most established office locations in the South East, principally focused around three areas: Crawley town centre; Manor Royal and City Place/Gatwick Airport fringe. The town centre has typically attracted professional and FBS occupiers, especially legal and accounting firms, with PWC, Irwin Mitchell, RSM (Baker Tilly) and Grant Thornton among the key tenants.

On Manor Royal, tenants are more diverse, including engineering, mineral exploration, travel companies, aeronautics and defence and medical technology companies, with Thales, CGG, Elekta, Virgin, Amey, Doosan, Rockwell Collins and Varian all occupying space there. Rather less conventionally, this area does also attract some professional services firms, most notably Deloitte, due to its proximity to Gatwick Airport.

Most of the prime Gatwick office stock is at City Place where occupiers include Nestle, BDO, Santander, Novo Nordisk, CAA and Lloyds TSB.

Astral Towers is conveniently on the north fringe of the Manor Royal Business Park, a short drive from both Crawley town centre and Gatwick Airport. Historically, each of these areas has seen broadly similar rental performance, with current prime rents reaching circa £24.50 per sq ft in each case, matching the longer term top headline rent level.

The ten year take-up average in Crawley/Gatwick is approximately 120,000 sq ft, peaking in 2015 which saw almost 350,000 sq ft of take-up, dominated by the pre-lets to Virgin and Elekta. The dominant deal unit size nevertheless is within the 5,000 to 15,000 sq ft bracket, save for these large pre-lets.

The following provide examples of recent rental transactions within the Crawley/Gatwick market:

Date	Property	Area (Sq Ft)	Tenant	Term (Break)	Headline Rent (psf)
Jun 2017	Astral Towers, Crawley	1,372	IAGO Solutions	5 years (3 year break)	£22.50
Mar 2017	St Johns House, Crawley	9,789	Grant Thornton	10 years (5 year break)	£22.00
Jan 2017	Origin 1, Crawley	8,034	TUI Travel	10 years (5 year break)	£24.00
Dec 2016	Portland Building, Crawley	3,435	Air Safety Support International	5 years	£21.50
Jun 2016	First Point, Gatwick	8,152	HSBC	10 years (5 year break)	£24.50



investment market

The South East office investment market showed steady signs of improvement throughout 2016, with investment volumes in the South East office market reaching £2.9bn (well ahead of the long-term average of £2bn) after buyers returned to the market following a slow start.

Turnover at the mid-year point reached £973m, 7.4% above the long term average, proving that the investment market remains resilient, particularly when considering the relative lack of available stock.

Additionally, a weight of capital continues to compete for well-let South East offices, with pricing hardening over the past six months and prime yields currently standing at 5.25% with the expectation that this will harden further to 5.00% by year end.

The table below demonstrates a number of comparable investment transactions to the subject property:



Date	Address	Purchaser	Tenant	WAULT (years)	Price	Cap Val (psf)	NIY
Jul 2017	The Rivers, Rickmansworth	Darin Partners	Multi-let	6.9	£33.50m	£322	6.58%
Jun 2017	400-475 Capability Green, Luton	Columbia Threadneedle	Multi-let	4.8	£19.99m	£216	7.50%
Mar 2017	Queensbury House, Brighton	Columbia Threadneedle	Multi-let	3.4	£12.60m	£351	6.50%
Mar 2017	Cassiobury House, Watford	Tellon Capital	Multi-let	2.4	£8.37m	£231	6.75%
Feb 2017	First Point, Gatwick	Gatwick Airport Ltd	Multi-let	4.2	£18.30m	£295	7.29%
Feb 2017	500 Capability Green, Luton	MCR Property Group	Multi-let	3.2	£13.00m	£163	6.54%
Nov 2016	The Galleria, Crawley	Brydell Partners	Virgin Holidays Ltd	7.8	£8.95m	£222	6.94%
Sep 2016	The Forum, Solent Business Park	Tristan Capital	Multi-let	5.1	£43.00m	£163	7.25%
Jun 2016	Ashdown House, Crawley	Crawley Borough Council	ACE INA Services	5.4	£8.58m	£250	7.25%

investment rationale

- A substantial, multi-let South East office investment on Manor Royal Business Park, a very well-established commercial location in close proximity to Gatwick Airport.
- Potential expansion of Gatwick would further consolidate Manor Royal as one of the premier business parks in the South East and the largest commercial centre between London and the south coast.
- Well-specified and prominent building, benefitting from a market leading car parking provision, with 624 spaces providing a ratio of 1:190 sq ft.
- An attractive initial yield, largely secured against strong covenants, off a very low average passing rent of only £15.82 per sq ft overall on the let accommodation (excluding the car parking income).
- Potential to let the vacant Third Floor space and grow the office rental profile throughout the building by taking advantage of the reversionary nature of the income, as evidenced by the recent Third Floor letting to IAGO Solutions at £22.50 per sq ft.
- Opportunity to grow the rents over the short to medium term, given the number of tenants who are wedded to this building, the combination of good quality office accommodation and an unrivalled car parking provision and the potential to split the office floors and achieve premium rental levels.
- The running yield will improve as a result of these inherent rental growth prospects.
- Capital value growth will also be achieved, by a combination of rental growth and yield compression, resulting from longer term certain periods on lease renewals, re-gears and extensions.

VAT

The property has been elected for VAT and it is anticipated it will be treated as a Transfer of Going Concern.

service charge

The service charge budget for the service charge year ending December 2017 is £1,123,457 (£9.65 per sq ft). This is in line with the recent service charge levels, with actual expenditure of £1,050,709 recorded in 2014, £1,094,302 in 2015 and £1,293,212 in 2016.

EPC

The property has an EPC rating of D-100.

data room

Please contact Knight Frank for access to the data room.

Further information

For further information please contact:

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- Offers are invited in excess of **£25,700,000 (Twenty Five Million Seven Hundred Thousand Pounds)**, Subject to Contract and exclusive of VAT.
- This reflects a **Net Initial Yield of 7.38%** and a **Reversionary Yield of 9.13%** (assuming purchaser's costs of 6.76%) and a capital value of **£217 per sq ft**.



020 7629 8171

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