

MULTI-LET SOUTH EAST INDUSTRIAL INVESTMENT OPPORTUNITY

NIGHTINGALE
PARTNERS
INTERNATIONAL PROPERTY INVESTMENT



Reading



17/35 Loverock Road
Reading, Berkshire RG30 1DZ



PROPOSAL

Offers are sought in excess of **£4,000,000** for the freehold interest, subject to contract and exclusive of VAT.

A purchase at this level would reflect an attractive **net initial yield of 6.23%** after allowing for acquisition costs of 6.54%, and a low capital value of £127 per sq ft.

The property is not elected for VAT.
UK SPV available.

INVESTMENT SUMMARY

- **Multi let industrial estate** located in Reading, the commercial capital of the Thames Valley and the **largest town in the UK**.
- Located **1 mile from Reading town centre** with excellent transport links being located close to the A329 and a 10 minute drive time to both Junctions 11 and 12 of the M4.
- Comprising **10 units fully let to 7 tenants** on 8 separate leases across **31,440 sq ft** (2,921 sq m).
- **AWULT of 8.3 years to expiry** and 4.3 years to break.
- Passing rent of £265,300 per annum, rents ranging from **£5.46 per sq ft to £9.50 per sq ft** reflecting only **£8.44 per sq ft overall** with ongoing asset management opportunities.
- Combination of **Open Market and RPI** review mechanisms.
- Prime new build Reading rents **are 85% above average rents** at the subject property.
- Freehold.
- **Not registered for VAT.**
- Reading has benefitted from substantial inward investment and will soon witness the opening of the **Elizabeth Line** (Crossrail)
- Tenant demand for industrial space is **extremely strong** and has seen significant rental growth due to the constrained supply and increased demand for office and residential uses.
- Reading has a significant resident urban population of 162,700 and there is **intense pressure on industrial** land to accommodate at least an additional circa 15,000 houses over the next 20 years.
- The site is located south of a residential area providing a potential **development opportunity** in the medium /long-term.



LOCATION

Reading is the commercial capital of the Thames Valley and the principal administrative centre of Berkshire. The Town is strategically positioned approximately 40 miles west of Central London; 25 miles southeast of Oxford and 18 miles north of Basingstoke.

The Town benefits from excellent road communications being located within close proximity to junctions 10, 11 and 12 of the M4 motorway with junctions 11 & 12 just 4 miles away and a 10 minute drive from the subject property. The M25 London Orbital lies 22 miles to the east of Reading.

Heathrow Airport, 28 miles east of Reading, can be accessed in 35 minutes via the M4, Gatwick Airport is situated 40 miles away.

Reading Railway Station is situated 1 mile to the east of the subject property and provides regular and direct services to London Paddington (24 mins). The Elizabeth Line (Crossrail) will provide passengers with direct travel from Reading to Central London without having to change trains. Reading Railway station (which was redeveloped at a cost of £900m) is a major rail hub and the town will benefit significantly from Crossrail. A further 6.5 acres immediately surrounding the station is subject to large scale redevelopment proposals by Lincoln MGT.

Heathrow International Airport is situated approximately 28 miles to the east of the Town.

Reading has a significant resident urban population of 162,700 (Source: 2016 ONS) and there is intense pressure on industrial land to accommodate at least an additional circa 15,000 houses over the next 20 years.



SITUATION

Loverock Road forms part of the well-established Battle Farm Trading Estate and the Portman Road industrial / commercial area close to the A329 (Oxford Road), one of the main arterial routes through Reading which links to the Inner Distribution Road (IDR) under a mile to the east. The property lies c.1 mile to the west of Reading town centre and 2 miles east of Tilehurst, within a 10 minute drive time of Junctions 11 & 12 of the M4.

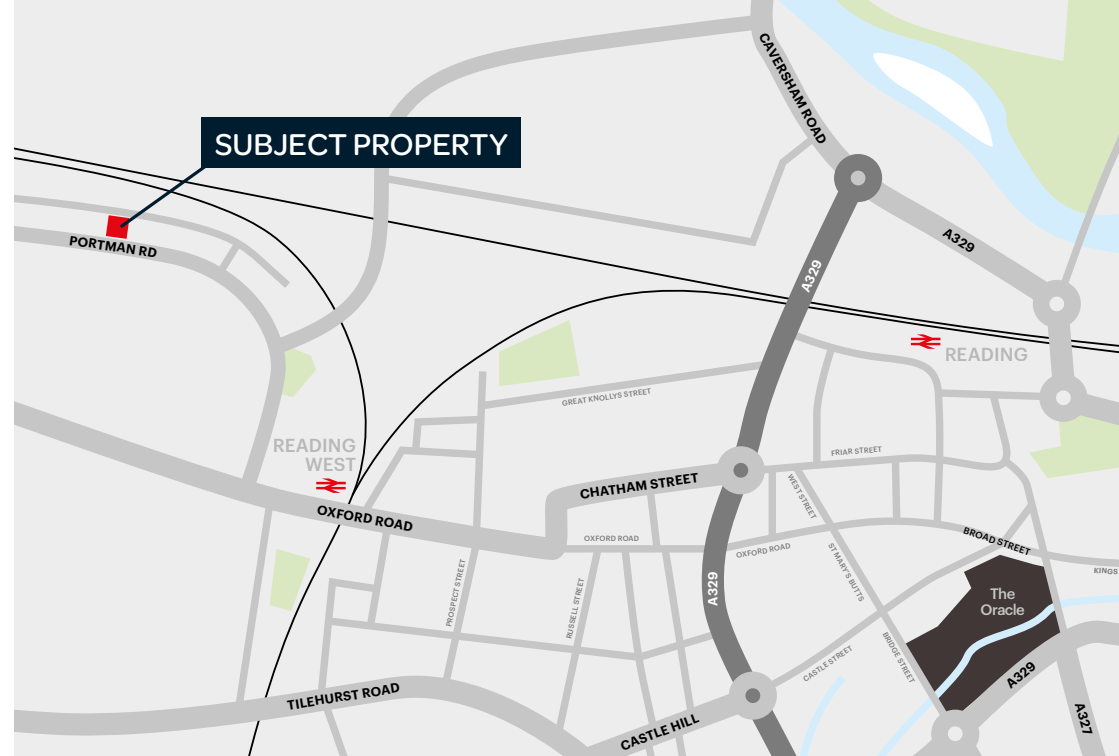
The location is home to a mix of local and national covenants with trade counter uses now forming a significant part of the immediate surrounding area. The property is located opposite Tesco Extra and the Battle Hospital Site which is under development by Bellway to provide 215 residential units comprising the final phase of the Battle Hospital redevelopment.

Occupiers in the area include Howdens, Screwfix, AT&T, Halfords, Sun Chemical, Northgate Van Hire, Wolseley, Access Self-storage, Reading Chronicle, Vauxhall, Selco, Royal Mail, Dairy Crest and Waitrose.



◀ Bellway redevelopment of Battle Hospital opposite subject property:

The £5bn electrification of the Great Western Line has resulted in improvements to the immediate area. The new Cow Lane Viaduct located immediately adjacent to the property was completed in 2015 at a cost of £45m and is the U.K.'s longest concrete viaduct and vitally enables road improvements to the nearby Cow Lane. These improvements will further benefit the area allowing lorries and larger vehicles to cross under the main rail line and reduce traffic in a well-known bottleneck.



INVESTMENT & DEVELOPMENT

Reading has benefitted from significant investment resulting in several impressive redevelopment projects in recent years. Reading Station reopened in July 2014 following a £900m upgrade, reinforcing the town's position as a major transport and business hub.

Elizabeth Line (Crossrail)

The Elizabeth line will act as a catalyst for further investment and development in Reading. It is anticipated that the employment market will be further enhanced with the opening of Crossrail as the population living within one hour of Reading will increase by nearly 30%. The arrival of Crossrail complements the Station Hill Development, a 6.5 acre site owned by Lincoln MGT, strategically located between Reading Station and Friar Street. The site benefits from planning permission for a £750m mixed use office and residential scheme.

Residential Development

There is significant ongoing and planned residential development in Reading, heavily influenced by the arrival of Crossrail. Planning permission has been granted for the Station Hill Development and The Foundry Quarter (west of the town centre) will deliver 471 and 429 residential units respectively. Work has also commenced on the Thames Quarter, which will comprise 315 apartments once completed. It will be Reading's first build-to-rent development and is due for completion in 2021.



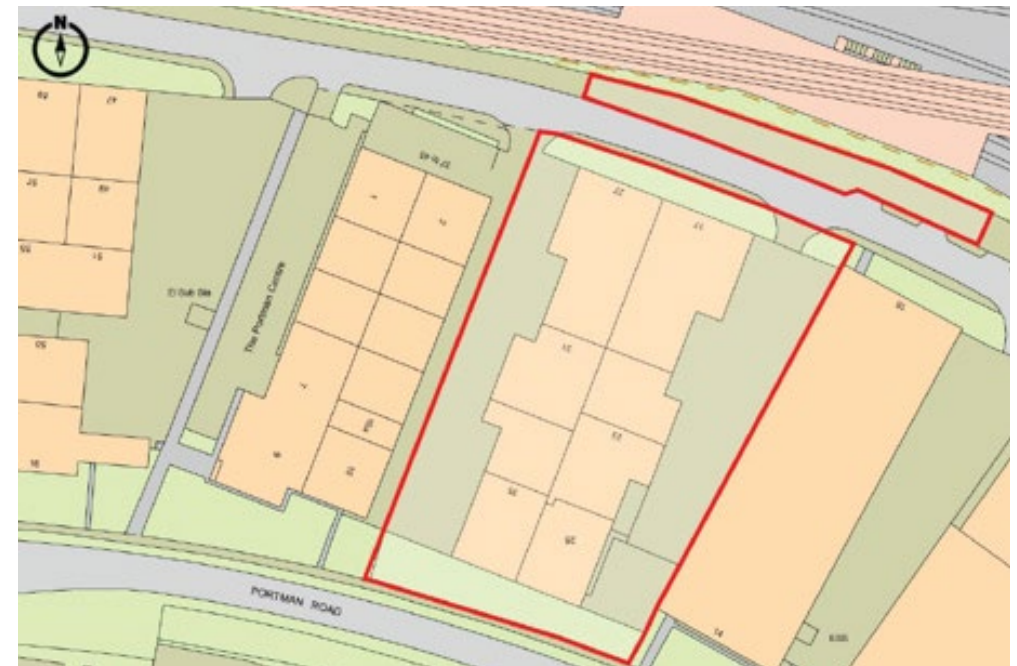
DESCRIPTION

The property comprises a multi tenanted industrial parade of 10 units let to 7 tenants on 8 separate leases. Two double units have been created. The property benefits from surfaced yards to the front of each unit together with roller shutter or concertina doors. The units generally benefit from an internal eaves height of 4.5m. The eastern terrace and car park is gated.

Constructed in the late 1970s, the units comprise a steel frame clad in part brick, part profiled metal cladding under a pitched roof incorporating roof lights. Ground floor offices are located to the front of some of the units and some of the office facades have been recently or are to be refurbished by the landlord. Mezzanine floors have been installed in three of the units.

The property also benefits from an additional 28 car parking spaces on the opposite side of Loverock Road demised to the tenants (in addition to tenant parking outside units).

The site area is 1.82 acres (0.74 ha) with a low site density of 39%.



ACCOMMODATION

The building has been measured by Plowman Craven in accordance with the RICS Code of Measuring Practice (6th Edition) and provides the following approximate gross internal floor areas:-

Unit Number	Sq ft	Sq m
17/19	6,586	612
21	2,750	255
23	3,519	327
25	3,059	284
27/29	6,258	581
31	3,729	346
33	2,471	230
35	3,068	285
Total	31,440	2,921

The following units have Mezzanines; Units 17/19 (1,509 sq ft), Unit 21 (2,015 sq ft), Unit 27/29 (1,459 sq ft); Total Mezzanine 4,983 sq ft (463 sq m).

In addition to tenant car parking outside the units the property has an adjacent car parking area of 28 spaces.

TENURE

The property is held Freehold.



TENANCY

- The property is multi let to 7 tenants across 10 units on 8 leases in accordance with the tenancy schedule.
- Passing rents range from £5.46 per sq ft to £9.50 per sq ft with recent leases agreed at or in excess £9.00 - £9.50 per sq ft.
- The passing rent of £265,300 per annum equates to a low overall rent of £8.44 per sq ft offering excellent potential for rental growth.
- The WAULT (excluding breaks) is 8.3 years and including breaks is 4.3 years.

TENANCY SCHEDULE

No	Unit	Area (sq ft)	Commerce	Expire	Inside / Outside 1954 Act	Break	Review	Rent (pa)	Rent (psf)	Review	Comments
17/19	JC Engineering Products Ltd	6,586	17/04/2019	16/04/2029	Inside	17/04/2024	17/04/2024	£59,274	£9.00	"RPI (1.5 % + 3%)"	"Rent deposit of £14,818 Schedule of condition"
21	Alliance Automotive UK LV Ltd	2,750	15/07/2018	14/07/2028	Inside	15/07/2023	15/07/2023	£25,000	£9.09	Open Market	Rent deposit of £6,250
23	Rags & Berts Ltd	3,519	08/09/2016	07/09/2026	Inside	01/09/2024	08/09/2021	£26,250	£7.46	Open Market	"Rent deposit of £13,125 Schedule of condition (Unit 23 only)"
25	Rags & Berts Ltd	3,059	08/09/2016	07/09/2026	Inside	01/09/2024	08/09/2021	£16,709	£5.46	Open Market	Rent deposit of £8,355
27/29	Berkshire Office Furniture Ltd	6,258	25/03/2019	24/03/2029	Outside	24/03/2024	25/03/2024	£56,322	£9.00	RPI (un-capped)	Rent deposit of £14,080. Schedule of Condition
31	Reading Screeding Company Ltd	3,729	19/03/2019	18/03/2024	Inside	19/03/2021	18/03/2024	£35,245	£9.45	Open Market	2 months rent free if don't operate break Penultimate day rent review
33	David Thomson	2,471	17/04/2019	16/04/2024	Outside	17/04/2021	-	£23,500	£9.50	Open Market	Rent deposit of £6,500
35	Baron Vehicle Conversions Ltd	3,068	10/05/2017	09/05/2027	Outside	09/05/2023 (m)	10/05/2022	£23,000	£7.50	Open Market	Mutual break. Rent deposit of £5,750
Total		31,440						£265,300	£8.44		



TENANT COVENANTS

Alliance Automotive Group

Alliance Automotive Group operates in over 1,500 locations across the UK and France and is a leading distributor of light and commercial vehicle parts to the independent aftermarket. The company is a wholly-owned subsidiary of Genuine Parts Company, the largest worldwide automotive parts distributor with activities in North America, Europe, and Australasia. Experian provide Alliance Automotive UK LV Ltd with a Credit Rating of 98/100 (Very Low Risk). Turnover for year to 12/2017 of £103m (£62m 2016), Profit of £6.5m (£5.7m 2016), net worth of £4m (£4.32m 2016).

JC Engineering Products

Established in 1970 by John Churchill. JC Engineering supply electronics and general sub contracting engineering market, located on Battle Farm estate since 1970. Recently incorporated to JC Engineering Products Ltd. ISO 9001:2008 accreditation.

Berkshire Office Furniture Ltd

Established c 30 years, privately owned and managed, creating furniture and upholstery services for clients include National Gallery, University of Reading, Imperial College, Central Hall Westminster, NHS, University of Oxford, DP World, University of Surrey and Pembroke College Cambridge. Shareholders funds of £138,000.

Reading Screeding Company Ltd

Trading as TW Flooring, established in 1974 Supply and installation of commercial flooring in Berkshire, Hampshire, Oxfordshire, Buckinghamshire and Surrey. Shareholders funds of £251,145.

Rags & Berts

Rags & Berts; Canine care, training and accommodation.

PLANNING

The property is not located within a conservation area (and not listed).

SOUTH EAST INDUSTRIAL MARKET - OCCUPATIONAL

The Reading industrial market has traditionally been driven by small / medium unit sizes which tend to be in the 2,500 – 25,000 sq ft range, by firms undertaking light manufacturing or operating local distribution functions. A lack of refurbished second hand accommodation is a feature of the current market and combined with the diminishing supply of land for development and residential take up from the infrastructure investments in Reading, strong rental growth is anticipated along with reduced incentives.

Reading continues to attract a wide range of occupiers given its excellent infrastructure, proximity to London and the South East, and good access to the rest of the UK. Occupational demand remains strong and supply constrained, leading to upward pressure on rental levels.

The vacancy rate in Reading has been trending down steadily since its peak in 2012 from almost 9% to 4.3% (2018) and strong rental growth is forecast for the area. Supply at the end of 2017 was 40% lower than the most recent peak in 2012. The best accommodation is achieving between £12.50 psf and £15.00 psf being 85% above average rents at the subject property. With limited new construction delivered in the last 12 months, and little speculative development planned, Reading is well placed to continue to see good rental growth in the sector.

SOUTH EAST INDUSTRIAL MARKET - INVESTMENT

Investor appetite for South East multi-let industrial estates is extremely strong with investors attracted by strong occupational fundamentals.

Reading is a key commercial centre for the Thames Valley and a thriving industrial and logistics market where only a limited amount of industrial & logistics assets become available to purchase.

The combination of these factors, together with the ongoing reduction of industrial land across the South East and London due to take-up by higher value uses and infrastructure projects, is maintaining a positive demand / supply imbalance which is driving industrial values.

VAT

The property is not registered for VAT and therefore VAT will not be payable on the purchase price and is not charged on rent.

EPC

The building has EPC Ratings as follows: C (67), C (65), D (91), D (96), C (67), C (63), D (84).

DATA ROOM

Access to the legal data room is available upon request.

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- Please note the property is held in a UK SPV, further information is available upon request.

Misrepresentation Act 1967 & Declaration:-

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CONTACT

James Turner

E: jt@nightingalepartners.com

M: 07867 356 888

Rupert Mitchell

E: rm@nightingalepartners.com

M: 07778 125 066

38 Berkeley Square,
London W1J 5AE

T: +44 (0) 20 7399 0640

www.nightingalepartners.com

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PARTNERS
INTERNATIONAL PROPERTY INVESTMENT