

Kings House & Queens House

Kymerley Road, **Harrow, Greater London**

**FREEHOLD
OFFICE
INVESTMENT**



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Kings House & Queens House Harrow, Greater London

INVESTMENT SUMMARY



- Purchase Price in excess of £24,000,000.
- Net initial yield of 8.0%.
- Freehold.
- 2 multi-let office buildings.
- Prominent town-centre location opposite underground, rail and bus stations, adjacent to St Ann's Shopping Centre and St George's Shopping & Leisure Centre.
- Total net internal area of 12,042 sq m (129,625 sq ft).
- 151 car parking spaces providing a ratio of 1:80 sq m (1:858 sq ft).
- Site area of 0.71 hectares (1.76 acres).
- Capital value of £1,993 per sq m (£185 per sq ft).
- 70% of income secured to a D&B 5A1 covenant.
- Asset management opportunities.
- Development / refurbishment potential.

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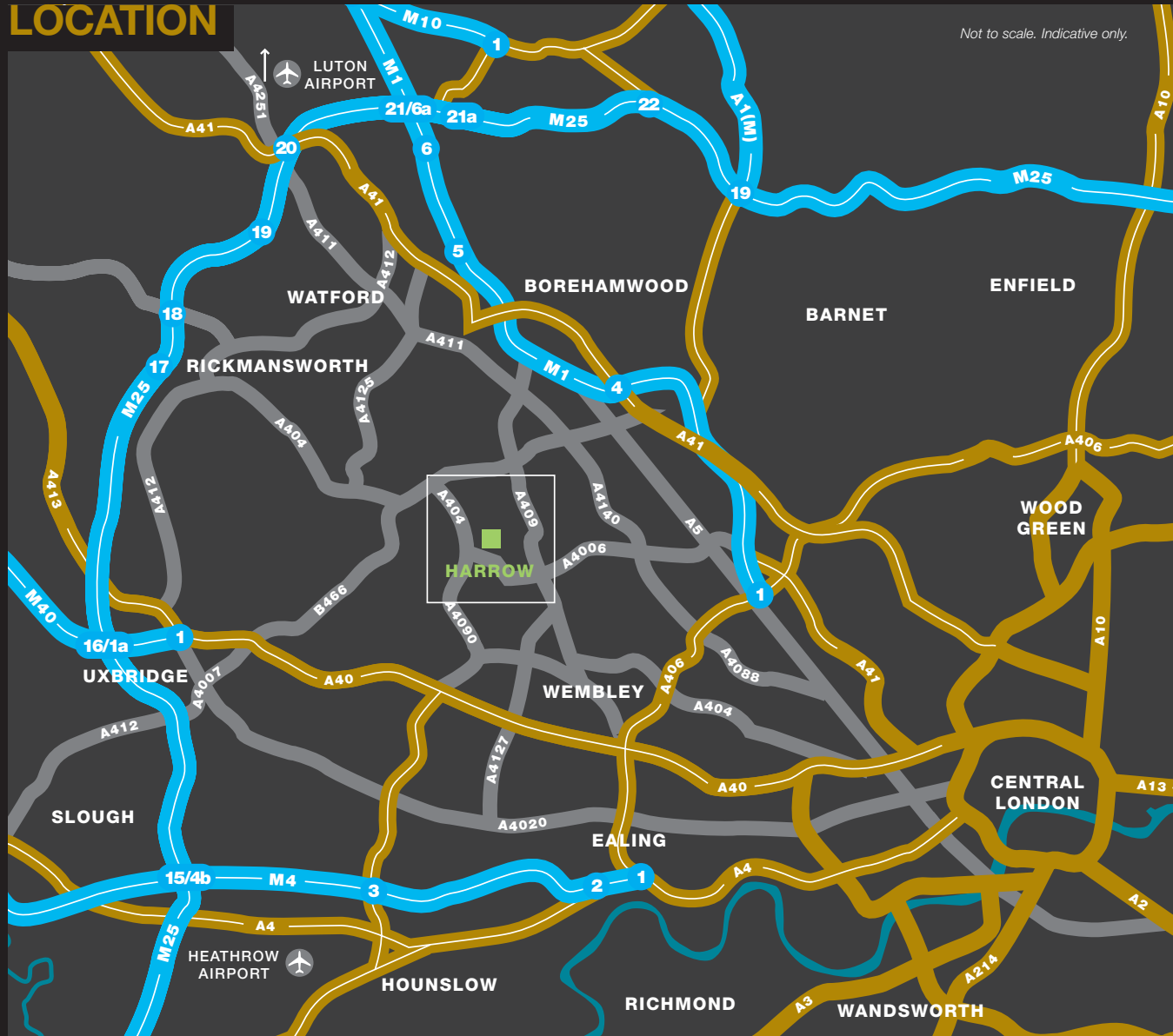
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Kings House & Queens House Harrow, Greater London

LOCATION



The London Borough of Harrow lies approximately 16.0 kilometres (10.0 miles) north west of Central London and 12.8 kilometres (8.0 miles) south east of Watford.

Harrow is an affluent town and one of the leading retail centres in Greater London. The town's core retailing is centred on the pedestrianised St Ann's Road which is complemented by two major covered shopping centres; the recently constructed St George's Shopping & Leisure Centre anchored by Woolworths, Boots and a Vue Cinema and St Ann's Shopping Centre anchored by BHS and Marks & Spencer.

Major office occupiers in the town include Customs & Excise, FocusWickes, the Land Registry, Metroline and Kodak.

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Kings House & Queens House Harrow, Greater London

COMMUNICATIONS



Harrow benefits from good communication links; The town is positioned at the junction of the A312, A409 and the A404 midway between the A41/M1 and the A40/M40. Harrow is approximately 5.6 kilometres (3.5 miles) west of the M1 at Junction 1 and 4.8 kilometres (3.0 miles) north of the A40 which provides direct access to Junction 16 of the M25 and Junction 1a of the M40.

Harrow-on-the-Hill Station provides both London Underground (Metropolitan Line) and Mainline (Chiltern Railways) services. The average journey time to London Marylebone is approximately 12 minutes. Rail links may also improve further should the proposals for Crossrail and the Aylesbury line which includes Harrow be implemented.

International airports are easily accessible from the town; Heathrow is located approximately 16.0 kilometres (10.0 miles) to the south west whilst Luton airport is some 35.2 kilometres (22.0 miles) to the north.

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Kings House & Queens House Harrow, Greater London

DEMOGRAPHICS



St Ann's Shopping Centre

In 2001, Harrow's resident population was approximately 207,000.

Overall demographic analysis indicates an affluent, young, mobile population; the collective CACI Lifestyle Groupings for these categories in Harrow is 42.1% compared to a national average of 30.6%. The level of single and multiple car ownership is above the national average as is the level of home ownership.

Sources: Focus & Census 2001

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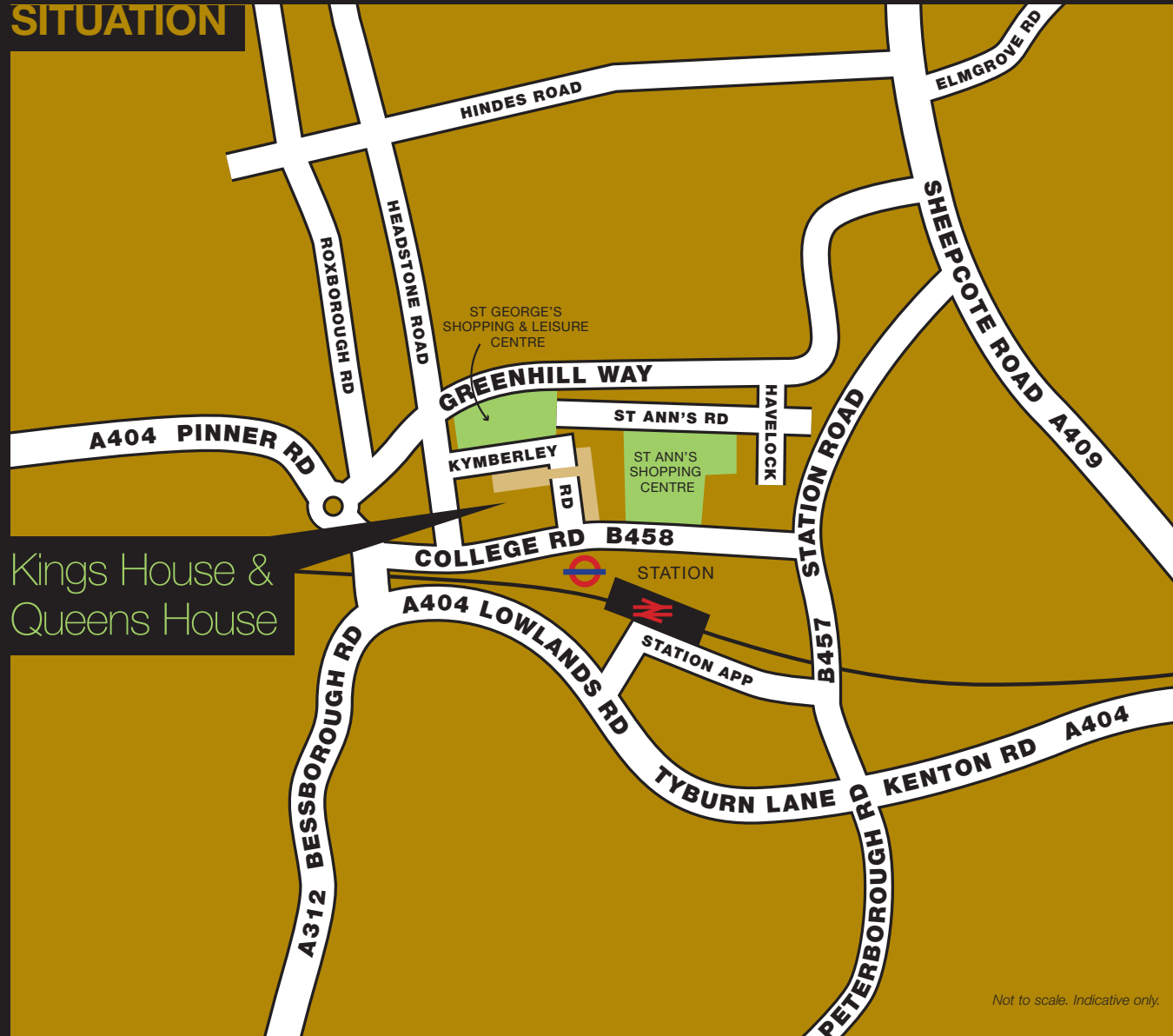
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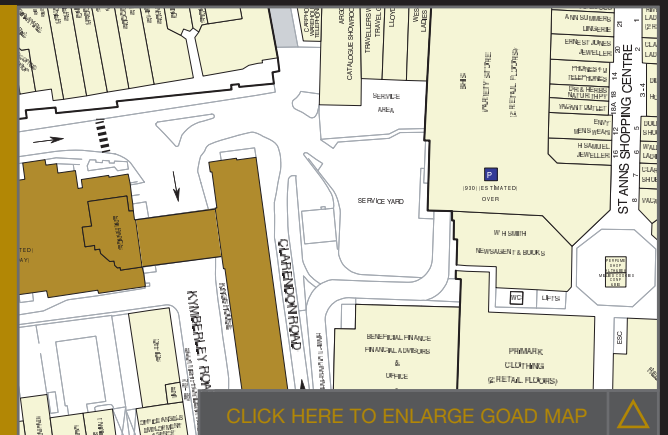
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Kings House & Queens House Harrow, Greater London

SITUATION



Kings House & Queens House



[CLICK HERE TO ENLARGE GOAD MAP](#)

Kings & Queens House benefit from a prominent town-centre position. The site is bounded by Kymberley Road and College Road. The property is situated adjacent to St Ann's Shopping Centre and St George's Shopping & Leisure Centre and opposite the town's underground, mainline railway and bus stations.

College Road comprises a mix of office and retail uses running parallel and south of St Ann's Road which is the prime retail focus in the town centre.

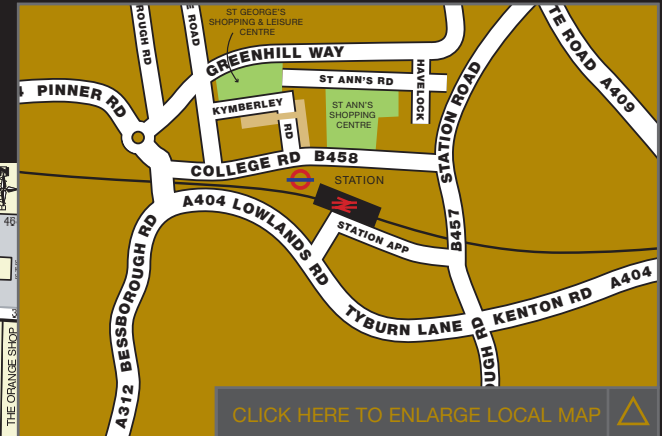
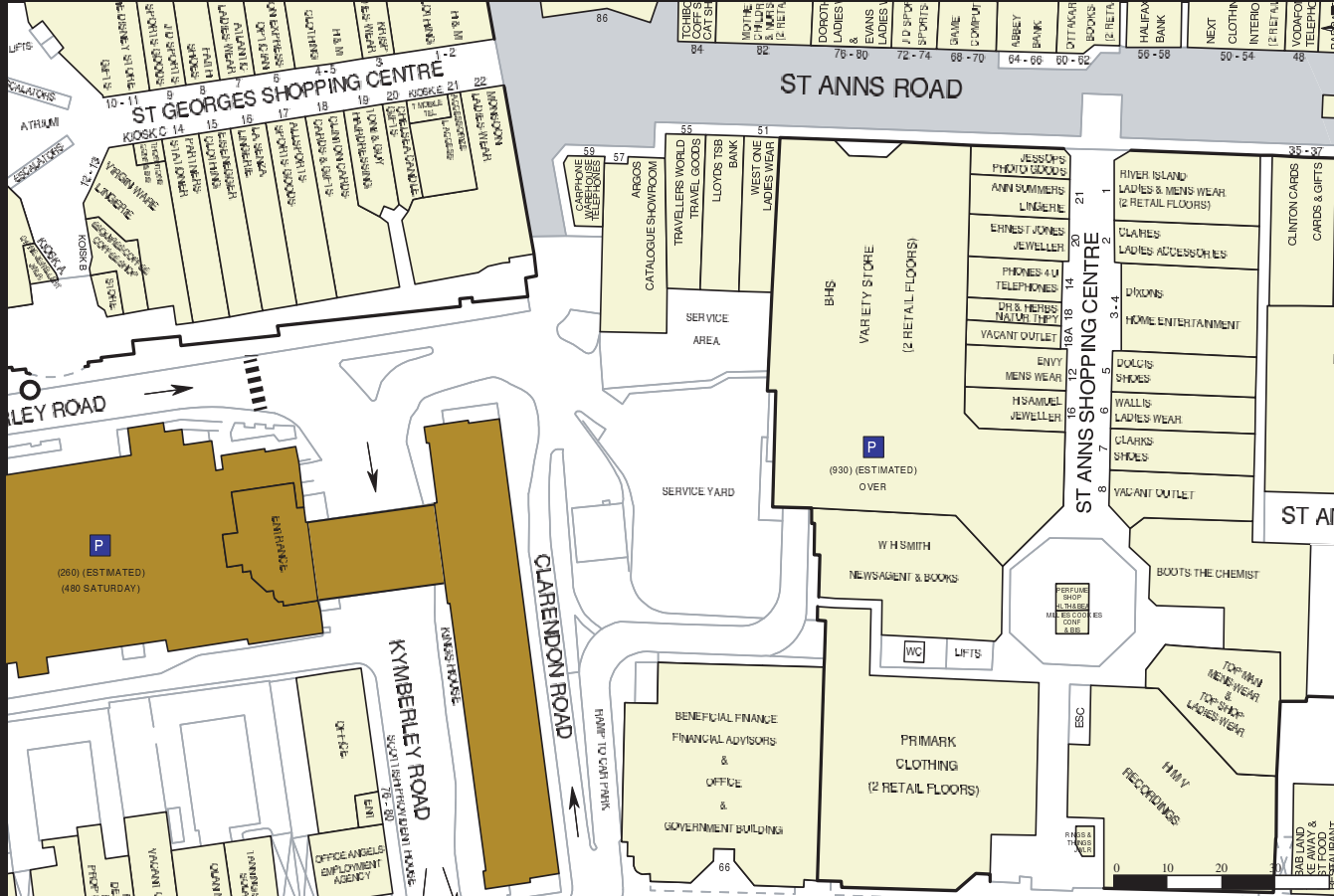
Harrow town centre benefits from 10 public car parks providing approximately 3,000 spaces. Within the immediate vicinity of the property there are 3 car parks providing approximately 2,000 spaces.

Not to scale. Indicative only.

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Kings House & Queens House Harrow, Greater London

SITUATION



Kings & Queens House benefit from a prominent town-centre position. The site is bounded by Kimberley Road and College Road. The property is situated adjacent to St Ann's Shopping Centre and St George's Shopping & Leisure Centre and opposite the town's underground, mainline railway and bus stations.

College Road comprises a mix of office and retail uses running parallel and south of St Ann's Road which is the prime retail focus in the town centre.

Harrow town centre benefits from 10 public car parks providing approximately 3,000 spaces. Within the immediate vicinity of the property there are 3 car parks providing approximately 2,000 spaces.

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Kings House & Queens House Harrow, Greater London

DESCRIPTION



Kings & Queens House were constructed in the 1980s of concrete frames beneath asphalt roofs having aluminium framed double glazed windows. Arranged over ground and seven floors, the two buildings are linked from the second to seventh floors.

The office accommodation benefits from air-conditioning, under-floor trunking, suspended ceilings, 3 automatic passenger lifts and a goods lift.

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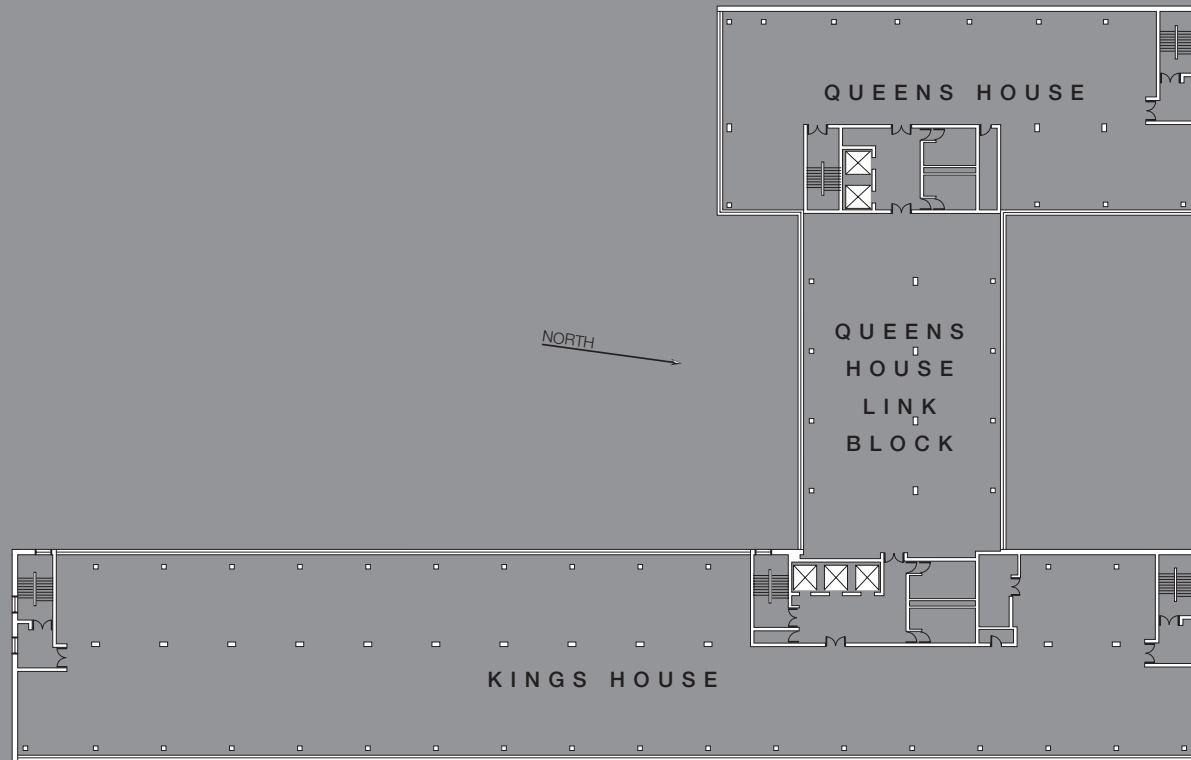
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Kings House & Queens House Harrow, Greater London

ACCOMMODATION



Not to scale. Indicative only.

TYPICAL FLOORPLATE (Above 2nd floor level)

QUEENS HOUSE	673 sq m	(7,240 sq ft)
KINGS HOUSE	972 sq m	(10,465 sq ft)

We have been advised that the investment provides a total net internal floor area of 12,042 sq m (129,625 sq ft).

Immediately adjoining Queens House and within the demised area is a multi-storey car park over 12 floors providing 400 spaces, 151 of which are allocated to the two buildings providing a ratio of 1:80 sq m (1:858 sq ft).

Please see the tenancy and accommodation schedule.

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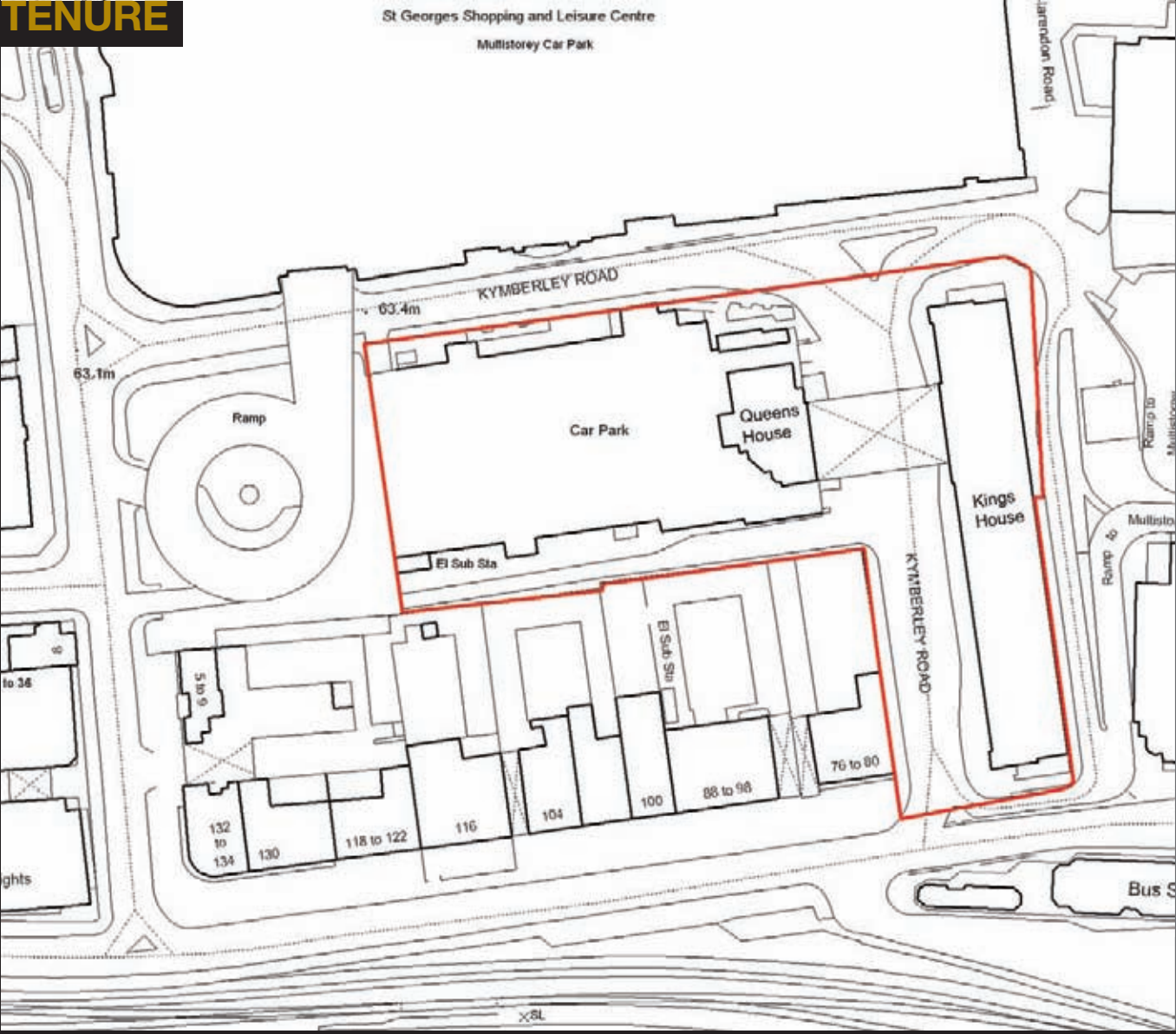
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Kings House & Queens House Harrow, Greater London

TENURE



Freehold.

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Kings House & Queens House Harrow, Greater London

TENANCY



The investment is multi-let on full repairing and insuring leases producing a total income of **£2,027,457 per annum equating to £168.32 per sq m (£15.64 per sq ft) overall.**

The vendor is providing a 1 year rental guarantee on the vacant accommodation of 377 sq m (4,055 sq ft) totalling a rent of £58,798 per annum equating to £156.08 per sq m (£14.50 per sq ft).

The car park has been let in its entirety to the London Borough of Harrow until 2107 at a peppercorn. 151 spaces have been granted to the freeholder on a coterminous basis.

Please see the tenancy and accommodation schedule.

[KINGS HOUSE
TENANCY
SCHEDULE](#)

[KING'S HOUSE
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[QUEEN'S HOUSE
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Kings House & Queens House Harrow, Greater London

KINGS HOUSE TENANCY SCHEDULE

Floor	Tenant	Accommodation		Rent	ERV	Start Date	Review	Expiry	Unexpired Term (years)	Car Parking (spaces)	Comments
		sq ft	sq m	per annum (per sq ft)	per annum (per sq ft)						
Entire	Raytheon UK Ltd	82,498	7,664	£1,412,500 £17.12	£1,196,221 £14.50	1-Aug-85	-	31-Jul-10	4.25	96	Inside Act. The tenant has entirely sub-let their accommodation to Secretary of State for the Environment and IPSOS UK Ltd. See sub-tenancy schedule for further information
Total		82,498	7,664	£1,412,500 £17.12	£1,196,221 £14.50						



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Kings House & Queens House Harrow, Greater London

KINGS HOUSE SUB-TENANCY SCHEDULE

Floor	Sub-Tenant	Accommodation sq ft	sq m	Rent per annum (per sq ft)	Start Date (per sq ft)	Expiry	Unexpired Term (years)	Comments
Grd, 1st, 2nd & 3rd	Secretary of State for the Environment	40,294	3,743	£690,000 £17.12	14-Feb-92	29-Jul-10	4.25	Inside Act
4th	Secretary of State for the Environment	10,468	972	£100,000 £9.55	9-Oct-97	22-Jul-10	4.25	Inside Act
5th	IPSOS UK Ltd	10,465	972	£99,333 £9.49	6-Jan-97	29-Jul-10	4.25	Inside Act
6th	IPSOS UK Ltd	10,463	972	£99,333 £9.49	14-Jul-97	29-Jul-10	4.25	Inside Act
7th	IPSOS UK Ltd	10,465	972	£141,143 £13.49	6-Oct-00	29-Jul-10	4.25	Inside Act
Total		82,155	7,632	£1,129,867 £13.75				



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QUEENS HOUSE TENANCY SCHEDULE

Floor	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)	Car Parking (spaces)	Comments
1st (Part)	Kennedy Scott Ltd	2,065	192	£21,678 £10.50	£29,943 £14.50	28-Jul-03	26-Jul-06	27-Jul-09 (28-July-06)	3.25	1	Outside Act. Rent deposit of £6,495.83 held. Service charge capped at £8,466.38. Rolling annual break.
1st (Part)	Kennedy Scott Ltd	2,087	194	£40,000 £19.17	£30,262 £14.50	28-Jul-03	28-Jul-06	27-Jul-09 (28-July-06)	3.25	2	Outside Act. Rent deposit of £11,964.52 held. Service charge capped at £10,182.12. Rolling annual break.
2nd (Part)	P K Patel & K Pandya	3,692	343	£38,766 £10.50	£53,534 £14.50	3-Apr-03	3-Apr-08	2-Apr-13 (03-April-08)	7.00	6	Inside Act.
2nd (Part)	Trillium (Prime) Prop GP Ltd	3,548	330	£47,520 £13.39	£51,446 £14.50	15-Dec-00	-	29-Jul-10 (15-Dec-07)	4.25	0	Inside Act.
3rd (Part)	Skills Training UK Ltd	3,550	330	£45,000 £12.68	£51,475 £14.50	5-Feb-06	-	-	-	4	Tenancy at will.
3rd (Part)	Vacant	3,500	325	£50,750 £14.50	£50,750 £14.50	1-May-06	-	1-May-07	1.00	4	Vendor rental guarantee.
4th	Optika Ltd	7,240	673	£97,740 £13.50	£104,980 £14.50	1-Aug-00	1-Aug-10	31-Jul-15 (01-Aug-09)	9.25	8	Inside Act.
5th	IPSOS UK Ltd	3,500	325	£45,500 £13.00	£50,750 £14.50	3-Aug-04	3-Aug-07	29-Jul-10	4.25	6	Inside Act.
5th (Suite A&F)	KHCS Consultants Ltd	1,000	93	£9,250 £9.25	£14,500 £14.50	12-Nov-03	-	11-Nov-08 (11-Nov-06)	2.50	1	Outside Act.



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QUEENS HOUSE TENANCY SCHEDULE *(continued)*

Floor	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)	Car Parking (spaces)	Comments
5th (Suite B)	PCL Communications Ltd	320	30	£5,210 £16.28	£4,640 £14.50	1-Mar-05	1-Mar-07	28-Feb-08 (28-Feb-07)	1.75	1	Outside Act. Rent deposit of £2,800.78 held.
5th (Suite C)	Stuart L Farleigh	320	30	£5,260 £16.44	£4,640 £14.50	29-Jun-05	29-Jun-06	28-Jun-08 (29-Jun-06)	2.25	0	Outside Act. Rent deposit of £2,842.46 held.
5th (Suite D)	D Russell Esq	320	30	£4,260 £13.31	£4,640 £14.50	2-Aug-04	-	1-Aug-07 (01-Aug-06)	1.25	1	Outside Act. Rent deposit of £2,540.01 held.
5th (Suite E)	W Fernandes Esq	560	52	£6,580 £11.75	£8,120 £14.50	12-Mar-04	-	11-Mar-07	1.00	1	Outside Act. Rent deposit of £4,194.80 held.
5th (Suite G)	Riashabh Info Svs PVT Ltd	300	28	£3,525 £11.75	£4,350 £14.50	12-Nov-04	-	11-Nov-07 (11-Nov-06)	2.50	1	Outside Act. Rent deposit of £2,233.89 held.
5th Suite H	Vacant	555	52	£8,048 £14.50	£8,048 £14.50	1-May-06	-	1-May-07	1.00	1	Vendor rental guarantee.
6th (Part)	Hays Personnel Svs Ltd	3,742	348	£50,520 £13.50	£54,259 £14.50	13-Mar-00	-	12-Mar-10 (13-Mar-09)	4.00	4	Outside Act.
6th (Part) & 7th	ACT Teleconferencing	10,828	1,006	£135,350 £12.50	£157,006 £14.50	14-Aug-98	-	30-Jul-08	2.25	13	Outside Act. Service charge capped at £59,498.
Total		47,127	4,378	£614,957 £13.05	£683,342 £14.50					54	

Notes: All 5th floor suites are rentalised inclusive of service charge, rates and insurance. We have discounted these rents accordingly to provide the net rent within the table above.



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Kings House & Queens House Harrow, Greater London

COVENANT



93.7% of the total income is derived from the following tenants;

Raytheon UK Ltd (70% of the total income) is a major supplier of electronic products to the defence and aviation industries and is part of a global parent company that reported a turnover of \$21.9 billion in 2005. The tenant company has a Dunn & Bradstreet rating of 5A1, a turnover of £356.4 million and net assets of £125.5 million. Raytheon have sub-let their accommodation, of which 61% of the income is secured to the Government on a co-terminus lease. Further information is available at www.raytheon.co.uk.

ACT Teleconferencing Ltd (6.7% of total income) is a global leader in audio, video and web based conferencing products and services. The company has 14 offices in 10 countries around the world. For the year ending 31st December 2003 the company reported net assets of £2.2 million.

Optika Ltd (4.8% of total income) is an optical retailer. Under the David Clulow brand they operate over 50 branches throughout London and the South East in locations including Harrods, Selfridges and Heathrow Terminal 3. For the year ending 25th December 2004 the company reported a turnover of £25.9 million. Further information is available at www.davidclulow.com.

Kennedy Scott Ltd (3.0% of total income) design customised training programmes for both the public and private sector. Their clients include The NHS, The Department for Work and Pensions, BP, BT and Prudential. For the year ending 31st March 2005 the company reported net assets of £491,196. Further information is available at www.kennedyscott.co.uk.



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Hays Personnel Services Ltd (2.5% of total income) is a recruitment company. For the year ending 30th June 2004 the company reported net assets of £40,300. The company's ultimate parent company, Hays Plc, is the largest publicly listed recruitment group in the UK and the world leading specialist recruitment and HR services company. For the year ending 30th June 2005 the company had a turnover of £1.6 billion. Further information is available at www.haysplc.com.

Trillium (Prime) Property GP Ltd (2.3% of total income) was set up by Trillium to manage the PRIME estate for The Department of Work and Pensions (DWP). Trillium is the UK's leading provider of property outsourcing, managing over 8,000 properties for clients that include the BBC, BT, DVLA and Barclays. The company is part of the Land Securities Group who reported net assets of £6.6 billion for the year ending 31st March 2005. For the year ending 31st March 2004 the tenant company reported negative net assets of £19.9 million. Further information is available at www.lstrillium.com.

Ipsos UK Ltd (2.2% of total income) is a survey based research company and part of an international group – Ipsos, with offices in over 40 countries, 30,000 employees, a turnover of £606 million and a pre-tax profit of £51 million. In October 2005, Ipsos UK acquired MORI who reported a turnover in 2004 of £44.2 million and a pre-tax profit of £5.6 million. For the year ending 31st December 2004 the company reported a turnover of £46.0 million. Further information is available at www.ipsos-uk.com.

Skills Training UK Ltd (2.2% of total income) provides training for young people and has contracts with Merseyside and London West Learning and Skills Councils. For the year ending 31st March 2005 the company reported net assets of £357,460.

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ESTIMATED RENTAL VALUE



The estimated rental value of the investment is in the region of **£1,900,000 per annum equating to approximately £156.08 per sq m (£14.50 per sq ft).**

Within the last year leases have completed on the 5th floor suites of Queens House equating to rents in excess of £172.23 per sq m (£16.00 per sq ft).

We are aware of the following letting evidence in Harrow ; In Q1 2006, at Aspect Gate in College Road, Bowmer & Kirkland completed an open-market letting of 5 years at a rent of £80,000 per annum which equated to a headline rent of £172.23 per sq m (£16.00 per sq ft).

In Q4 2005, at The Heights 59-65 Lowlands Road, there were two open-market lettings; DD Video Leisure View Ltd completed a lease of 10 years with a 5 year break at a rent of £68,496 per annum which equated to a headline rent of £172.23 per sq m (£16.00 per sq ft) and Leftley Rowe Solicitors completed a lease of 10 years with a 5 year break at a rent of £51,552 per annum which equated to a headline rent of £172.23 per sq m (£16.00 per sq ft).

In Q3 2005, at Aspect Gate in College Road, The London Borough of Harrow completed an open-market letting of 5 years with a 3 year break at a rent of £97,500 per annum which equated to a headline rent of £161.46 per sq m (£15.00 per sq ft).

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MARKET COMMENTARY



The occupational market is continually improving, particularly within the North West M25 Quadrant which represented 72% of total Q4 2005 take-up for the entire M25. The vacancy rate within this quadrant reduced by 5% in Q4 2005 and the supply pipeline is at the lowest point since 2001. In addition, demand for offices in this section of the M25 increased by approximately 20%.

The surrounding areas under a 9 mile radius of Harrow are achieving considerably higher rental levels suggesting that Harrow is off a low rental base with promising growth potential;

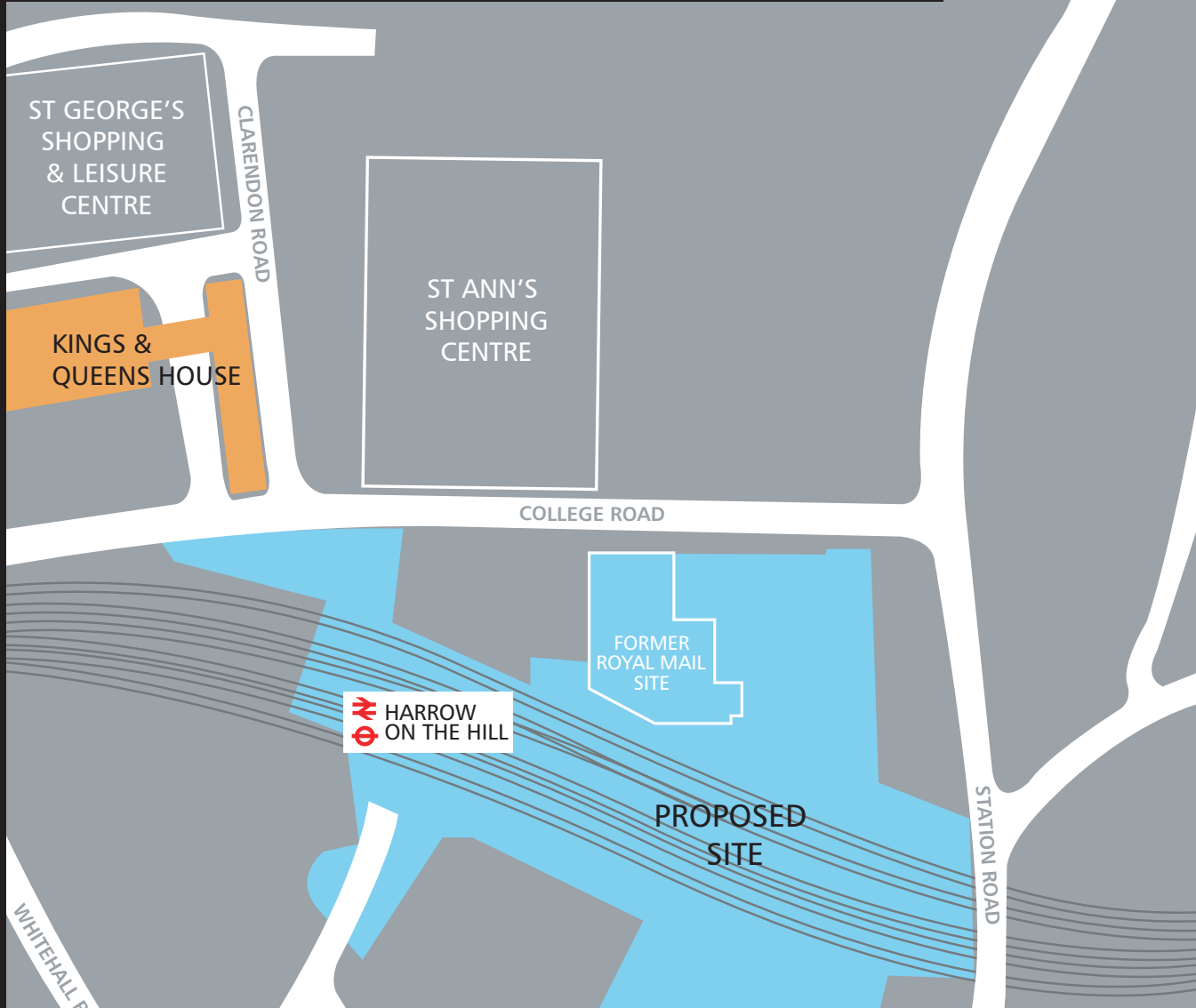
In Q4 2005, rental levels in Watford and Rickmansworth to the north-west reached £231.43 per sq m (£21.50 per sq ft) and £215.29 per sq m (£20.00 per sq ft) respectively whilst rents in Uxbridge and Chiswick to the west were at £279.87 per sq m (£26.00 per sq ft) and £312.16 per sq m (£29.00 per sq ft) respectively.

Sources; Knight Frank Research Q4 2005 & Jones Lang La Salle – West M25 Offices Thames Valley Market Report Q4 2005.

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TOWN CENTRE REGENERATION PROPOSALS



In July 2004, Harrow Council produced a supplementary planning guidance report for the 5.8 hectare (14.3 acre) site surrounding Harrow on the Hill station situated directly opposite Kings and Queens House. The proposal outlined a high quality, high density mixed-use development with significant improvements to the existing public transport facilities and the provision of quality open space.

The report has since been adopted by the Council in conjunction with the Unitary Development Plan and now acts as a reference document for the location. Currently, the development company, Dandara is awaiting planning consent for a 250,000 sq ft mixed use development on the former Royal Mail site which is situated within the proposed regeneration zone.

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REFURBISHMENT AND DEVELOPMENT POTENTIAL



There may be potential for an office refurbishment or redevelopment. A significant uplift in rent could be achieved for new or refurbished Grade A office accommodation due to the improved strength of the office market;

In the weaker market conditions of 2002-2003, adjacent to Kings and Queens House, a series of open-market lettings were completed at Legal & General's newly developed Hygeia Building at 66-68 College Road at circa £204.52 per sq m (£19.00 per sq ft).

Alternatively, there may be scope for a mixed use scheme that could include office, hotel, retail and residential uses subject to the necessary consents. Further accommodation could be created by infilling the area between the two buildings and incorporating the car park.

We have been advised that residential values within the town centre are in the region of £3,767 per sq m (£350 per sq ft).

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Kings House & Queens House Harrow, Greater London

OFFICE FREEHOLD CAPITAL VALUES



We understand there is significant demand in Harrow for freehold office accommodation with vacant possession including 'strata' sales of single floors. We are aware of the following recent evidence;

In Q1 2006, Kirkland House, Peterborough Road was sold for a price of £2.4m reflecting a capital value of £2,734 per sq m (£254 per sq ft).

In 2005, at Grove House, 55 Lowlands Road, single floors of 318 sq m (3,421 sq ft) were sold at prices of approximately £750,000 reflecting a capital value in the region of £2,691 sq m (£250 per sq ft).

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Kings House & Queens House Harrow, Greater London

PROPOSAL



The freehold interest can be acquired for a price in excess of **£24,000,000** reflecting a **net initial yield of 8.0%** and a **capital value of £1,993 per sq m (£185 per sq ft)** based upon costs at 5.7625%.

Value Added Tax

The property has been elected for VAT. The sale will therefore be treated as a Transfer of Going Concern (TOGC).

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Kings House & Queens House Harrow, Greater London

INVESTMENT CONSIDERATIONS



- An opportunity to acquire a landmark, multi-let, town-centre office investment within the M25, situated only 16.0 kilometres (10.0 miles) north west of Central London.
- Harrow is an established commercial centre in London with an affluent resident population and excellent retailing facilities.
- Kings & Queens House occupy an excellent position in the core of the town-centre; directly opposite the town's underground, rail and bus stations, to the rear of the St George's Shopping & Leisure Centre and situated adjacent to St Ann's Shopping Centre.
- Attractive net initial yield of 8.0 %.
- 70% of the income is secured to Raytheon UK Ltd (Dun & Bradstreet rating of 5A1) for a further 4.25 years. 61% of the income is sub-let to the Government on a co-terminus lease. The remaining 30% of the income derives from tenants that include Optika, Trillium and Hays.
- Potential for rental growth; the current rental level of £168.32 per sq m (£15.64 per sq ft) is off a low base in comparison to rents achieved in the surrounding areas under a 9 miles radius. Furthermore, the office supply pipeline in the North West Quadrant of the M25 is at its lowest level for 5 years and tenant demand in the area has increased by 20%.



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Kings House & Queens House Harrow, Greater London

INVESTMENT CONSIDERATIONS



- Refurbishment / re-development opportunity ; the buildings occupy a strategic site of 0.71 hectares (1.76 acres) providing potential to create a significant mixed use scheme incorporating retail, office, hotel and residential uses in the medium term subject to the necessary consents. There may be an opportunity to increase the site density by infilling the areas between the two buildings and incorporating the car park.
- Asset management opportunities including re-lettings, lease renewals, surrenders and refurbishment.
- The capital value equating to £1,993 per sq m (£185 per sq ft) is underpinned by residential values at £3,767 per sq m (£350 per sq ft) and recent office freehold sales with vacant possession in the region of £2,691 per sq m (£250 per sq ft).
- Improving location; Harrow Council's proposals for a redevelopment of the immediate area will have a positive impact upon the investment. We understand an application for a 250,000 sq ft mixed use development has been submitted on the Royal Mail site. In addition, the introduction of Crossrail will further establish Harrow as an important commercial location.
- Institutional funds remain attracted to South East offices. Their research departments have predicted it will be the top performing sector in 2006. During 2005, the investment market for the sector significantly improved; the total returns for offices in 2005 was 18.4%, town centre offices traded at a premium to business parks and the yield on prime offices compressed to 5.25%.

Sources; Knight Frank Research Q4 2005 & Jones Lang La Salle – West M25 Offices Thames Valley Market Report Q4 2005.

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FURTHER INFORMATION



The following information is available on dba's website www.dbaprop.co.uk. Please click on the property's address and see section 'Other Documents'. Documents in this section include:

- Service charge accounts and budget.
- Copy of occupational lease to Raytheon UK Ltd.
- Circle file including all tenancy information.

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Kings House & Queens House Harrow, Greater London

CONTACT INFORMATION



SUBJECT TO CONTRACT AND EXCLUSIVE OF VAT

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