

EXCHANGE HOUSE
60 EXCHANGE ROAD
WATFORD WD18 0JJ

AN OUTSTANDING TOWN CENTRE OFFICE INVESTMENT WITH MULTIPLE
ASSET MANAGEMENT AND RESIDENTIAL DEVELOPMENT ANGLES



INVESTMENT SUMMARY

- Watford is a **major regional centre** within the M25, approximately 15 miles to the north west of Central London
- Excellent transport links being located within 2 miles of the M1 and M25.
- Watford Junction Station benefits from direct trains into **London Euston** with a **fastest journey time of 14 minutes**
- Exchange House is situated in the **heart of Watford town centre**, with close proximity to both the railway station, High Street and INTU shopping centre
- The property comprises a self contained office building providing **63,208 sq ft (NIA)** and **77,013 sq ft (GIA)** over ground and four upper floors
- A total of 160 car parking spaces, providing an **excellent town centre ratio of 1:395 sq ft**
- 1.46 acre site with a current **low site cover of 35%**
- Freehold
- Let in its entirety to Trillium (Prime) Property GP Limited, commencing 30th September 2009, expiring 31st March 2023
- The lease is linked to CPI with the next rent review in September 2019 where the rent is expected to increase to **£1,065,000 pa.** The vendor will provide a top up to this level. This equates to a **highly reversionary rent of £16.85 psf overall.**
- Prime office rents in Watford now stand at £32 psf
- Significant redevelopment and massing opportunities subject to obtaining the necessary consents
- **Permitted Development Rights (PDR)** application has been approved for change of use to **126 residential units**
- Offers are sought in excess of **£19,500,000 (NINETEEN MILLION, FIVE HUNDRED THOUSAND POUNDS)** subject to contract and exclusive of VAT
- A purchase at this level reflects a net initial yield of **5.12%** (assuming purchasers costs of 6.75%)
- Low capital value of **£308 psf on the NIA** and **£253 psf on the GIA**



WATFORD

Watford is an important south Hertfordshire retail and commercial centre, situated on the northern boundary of the greater London conurbation, just within the M25 motorway.

The town is located approximately 15 miles north west of Central London and south of Luton. Watford has a local authority population of approximately 91,000, but draws on an extensive wider catchment of almost 600,000 persons.

The town benefits from excellent motorway communications, with Junction 19 of the M25 just 2 miles to the north west, and Junction 5 of the M1 only 2 miles to the north east.

Watford is serviced by three mainline stations, and at peak times, up to eight trains per hour run from Watford Junction to London Euston with a fastest journey time of 14 minutes. London underground services are provided from Watford on the Metropolitan line.

Watford offers an excellent choice for air travel with Luton Airport 17 miles to the north, Heathrow Airport is 22 miles to the south and Stansted Airport is 45 miles to the north east

Watford's proximity to London and its excellent transport links attracts high profile tenants including BT, Cable & Wireless, Costco, TK Maxx and KPMG.



COMMUNICATIONS

ROAD

2 MILES FROM M1 & M25

Watford benefits from excellent connectivity to the national motorway network being strategically located within 2 miles of the M1 to the east and the M25 to the west, as well as being located within easy access to the A1(M), M40, M4 and M3 motorways.

AIR

Watford is located in close proximity to a number of international airports with Luton Airport only 17 miles to the north via the M1 and Heathrow Airport 22 miles south via the M25

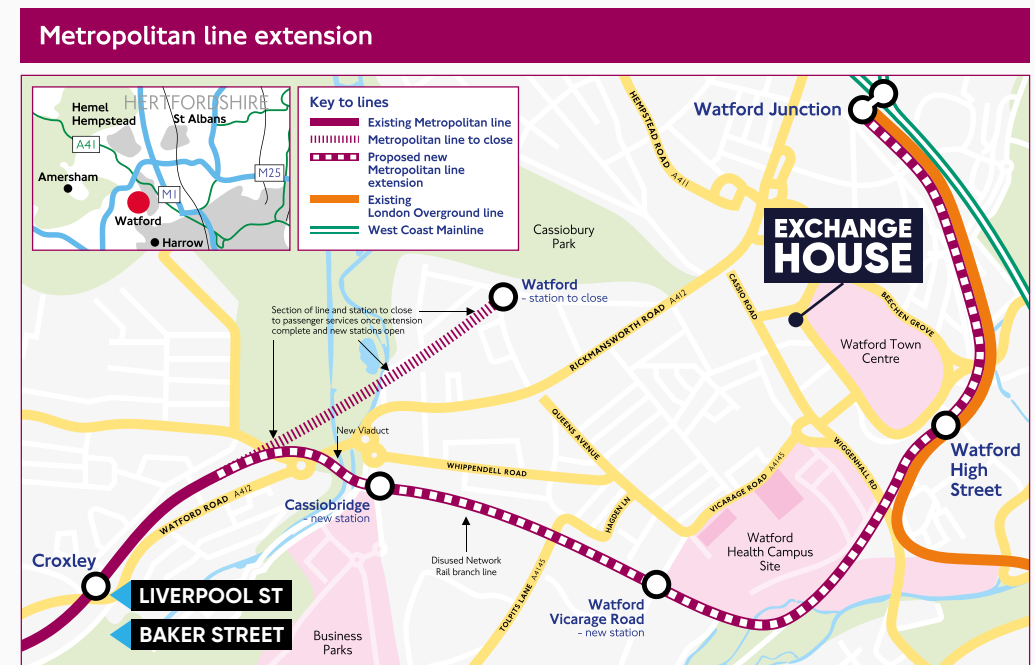
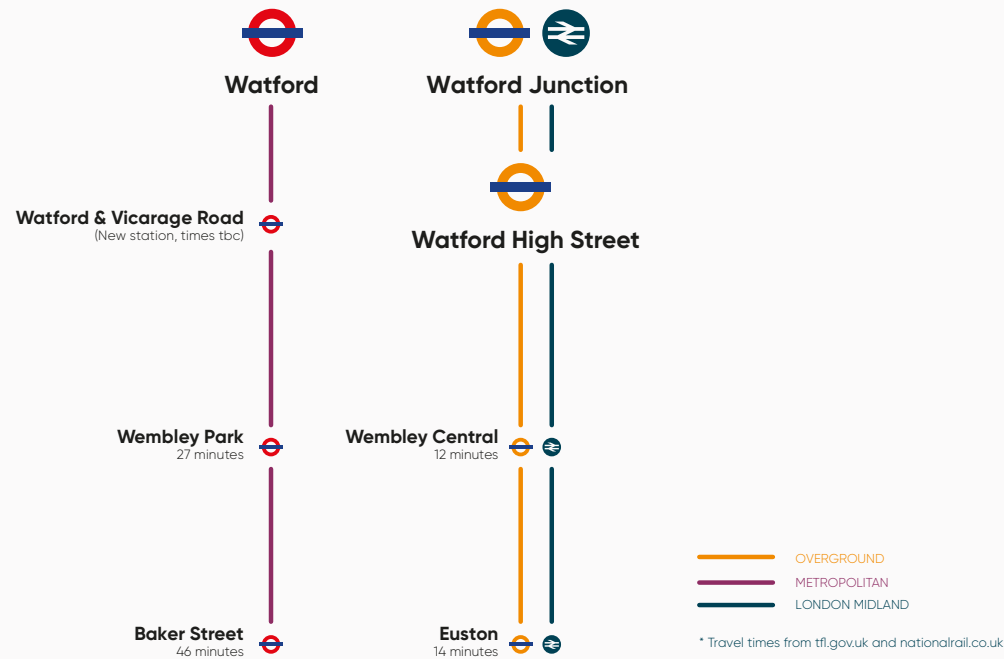
RAIL

14 MINUTES TO EUSTON

Watford is served by three mainline railway stations: Watford Junction, Watford High Street and North Watford. At peak times, eight trains per hour run from Watford Junction to London Euston with a fastest journey time of 14 minutes.

METROPOLITAN LINE EXTENSION

Watford is also served by the Metropolitan line providing direct access to Kings Cross, Baker Street and Liverpool Street. The existing Metropolitan line which runs from Croxley to Watford underground station is set to close and be re-routed to provide a new station, Watford Vicarage Road, and extend to Watford High Street and Watford Junction further improving the town's connectivity. The works are set to be completed by 2020.



SITUATION

Exchange House is situated in the heart of Watford town centre, at the northern end of Exchange Road on the junction with Upton Road. It is very well positioned with road access to the M1 and M25 motorways less than a five minute drive away.

The property is situated approximately a ten minute walk to both Watford Junction and Watford High Street Station, which provides swift commuter access to London Euston.

Exchange House also benefits from being in very close proximity to all the town centre amenities with the High Street and Intu Shopping Centre, less than a three minute walk away.



DIVERSE WATFORD

EXTENSIVE RETAIL OFFERING

Watford has a unique retail offering and has become a retail destination of choice. Intu Watford shopping centre is situated in the immediate vicinity of the property and is currently undergoing a £180 million redevelopment programme which when complete in 2018 will provide over 10 new restaurants and 16 new retail units as well as a leisure facility including a 9 screen IMAX cinema. The shopping centre is anchored by John Lewis and home to retailers including Apple, Marks & Spencer, Zara, H&M and River Island.

LEADING OFFICE CENTRE

Watford is the leading and most established office centre in the north M25 region with an estimated office stock of 5.1 million sq ft. Clarendon Road, which is situated 0.2 miles away from the subject property, is regarded as the prime office destination in Watford and benefits from occupiers such as Ralph Lauren, KPMG, Royal Insurance, Regus, HMRC, NHS, Hayes Recruitment and TK Maxx who are currently in the process of developing a new 150,000 sq ft headquarters building.

EDUCATIONAL CENTRE

Watford is home to West Herts College, approximately half a mile away from Exchange House. The college has a total enrolment of just under 10,000 students.



DESCRIPTION

Exchange House comprises a detached office building arranged over ground and four upper floors totalling 63,208 sq ft. The property was constructed in the 1960's and currently operates as a Job Centre at ground floor level with administrative offices on first to fourth floors.

The property has been constructed around three stair cores, one main core in the centre of the building and two supplementary cores at either end of the building. There are two passenger lifts and one goods lift.

ACCOMODATION

The property was measured in 2016 by Greenhatch Group and benefits from the following approximate areas:

FLOOR	NIA SQ FT	GIA SQ FT
Basement		1,152
Ground	9,250	11,673
First	14,503	16,912
Second	13,362	16,080
Third	13,388	16,080
Fourth	12,705	15,115
Total	63,208	77,012

CAR PARKING

The property benefits from a total of 160 car parking spaces situated to the rear and the front of the property. The spaces are arranged over ground and first floor levels.

This provides an excellent town centre ratio of 1:395 sq ft

SITE

The site extends to approximately 1.46 acres, reflecting a low site cover of 35%.

TENURE

Freehold



TENANCY

The property is let in its entirety to Trillium (Prime) Property GP Ltd on a full repairing and insuring lease from 30th September 2009, expiring 31st March 2023, therefore providing 5.4 years term certain.

The lease is linked to CPI with the next rent review in September 2019. From recent forecasted CPI growth figures the rent is expected to increase to £1,065,000 pa (£16.85 psf) the vendor will provide a top up to this level from completion of the sale.

The property is occupied by the Department for Work & Pensions as a Job Centre.

CONVENANT

Formed in 1997, Trillium (Prime) Property GP Limited manage and own large property portfolios. Trillium now has more than 8,000 buildings under management and own a £6 billion investment portfolio, which includes landmark buildings such as the Coutts Bank headquarters on London's Strand.

Trillium is rated by D & B as 5A1, showing the financial summary below:

	2016	2015	2014
Turnover	£545,204,000	£539,963,000	£548,392,000
Pre tax profits	£97,465,000	£118,525,000	£71,016,000
Net Worth	£706,315,000	£635,290,000	£306,421,000



OFFICE OCCUPATIONAL MARKET

Watford is the major office centre in the North West sector of the M25 with an estimated stock of c. 5.1m sq ft of office accommodation.

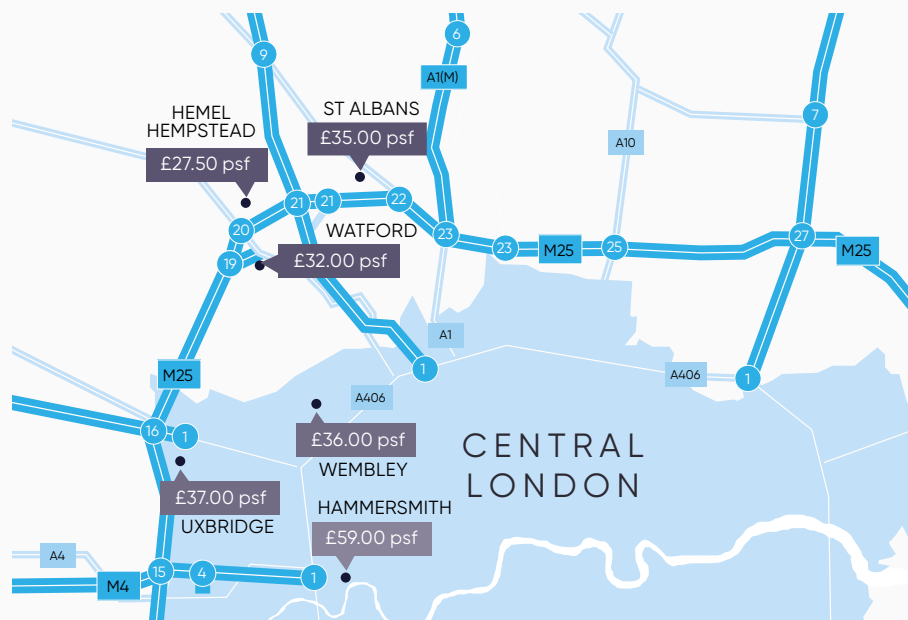
There has been a significant amount of letting activity in Watford over the last 12 months. Occupiers remain attracted by Watford's exceptional transport links into London, access to quality office stock and the town centre's strong retail and leisure amenities.

Recent letting transactions include:

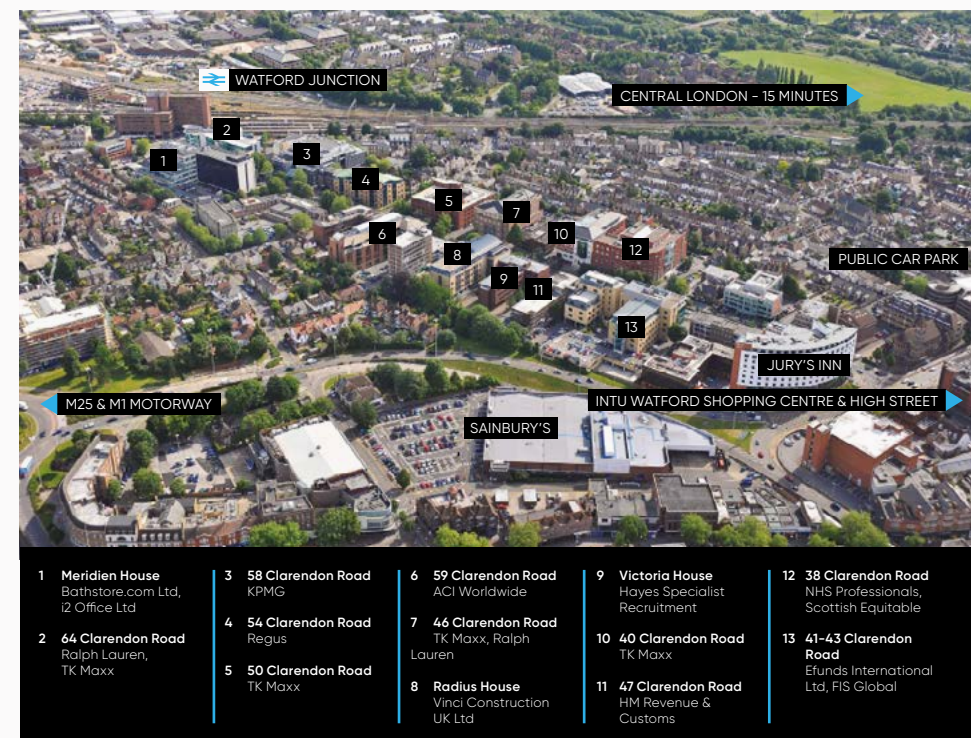
DATE	ADDRESS	TENANT	SIZE (SQ FT)	RENT (PSF)	TERM
JUN 2017	45 Clarendon Road	HCL Technologies	13,720	£32.00	10 year term.
FEB 2017	36 Clarendon Road	Salmon Group	20,980	£31.50	Pre-let. 15 year term.
DEC 2016	The Junction	Ricoh Group	6,870	£30.00	10 year term. 5th year break.
NOV 2016	The Junction	Dentons	13,740	£27.50	10 year term. 5th year break.
SEP 2016	The Junction	Bio Rad	26,620	£27.50	10 year term. 5th year break.
JUL 2016	Building 7 Croxley Park	Starleaf	10,653	£27.50	10 year term. 5th year break.
APR 2016	45 Clarendon Road	Veale Wasborough Vizards	13,110	£27.45	10 year term. 5th year break.

As a result of the considerable recent letting activity, availability in the town centre is very limited. Of particular note is that this availability is made up almost entirely of Grade B second hand stock.

This lack of quality stock coupled with continually strong occupier demand has put significant upward pressure on rents in the town. Prime rents for the town currently stand at £32.00 psf evidenced by HCL Technology letting 13,720 sq ft at 45 Clarendon Road.



“ Prime rents in Watford are now £32.00 psf, making Exchange House highly reversionary. ”



OFFICE INVESTMENT MARKET

The table below highlights below the most relevant investment transactions in the South East market:

DATE	ADDRESS	PURCHASER	TENANT	WAULT	PRICE	NIY	CAP VAL PSF
SEP 2017	36 Clarendon Road, Watford	Mayfair Capital	WPP	10 yrs	£14.5M	5.50%	£517
AUG 2017	Hunton House, Uxbridge	Private Overseas	British Alcan Aluminium Ltd	6.4 yrs	£10.20M	5.93%	£411
JUL 2017	The Rivers, Rickmansworth	Darin Partners	Multi-let	6.9 yrs	£33.50M	6.58%	£322
JUL 2017	Pinnacle Reading	Standard Life	Multi-let	1.9 yrs	£13.45M	6.75%	£322
JUN 2017	London Court, Reigate	Schroders	Multi-let	2.5 yrs	£11.50M	6.80%	£321
APR 2017	Lucidus, Watford	M&G Real Estate	Multi-let	1.0 yrs	£16.50M	6.20%	£322
FEB 2017	Parkside House, Epsom	Epsom Council	AON Benfield	4.9 yrs	£12.77M	6.25%	£371
DEC 2016	Braywick Gate, Maidenhead	Royal London Asset Management	Multi-let	3.7 yrs	£19.00M	5.90%	£478



PERMITTED DEVELOPMENT RIGHTS (PDR)

Prior approval was granted on 7th February 2017 (Ref: 16/01741/OPD) for change of use of the building to provide 126 residential units (56,069 sq ft NSA).

SUMMARY OF PROPOSED NET SALEABLE AREAS

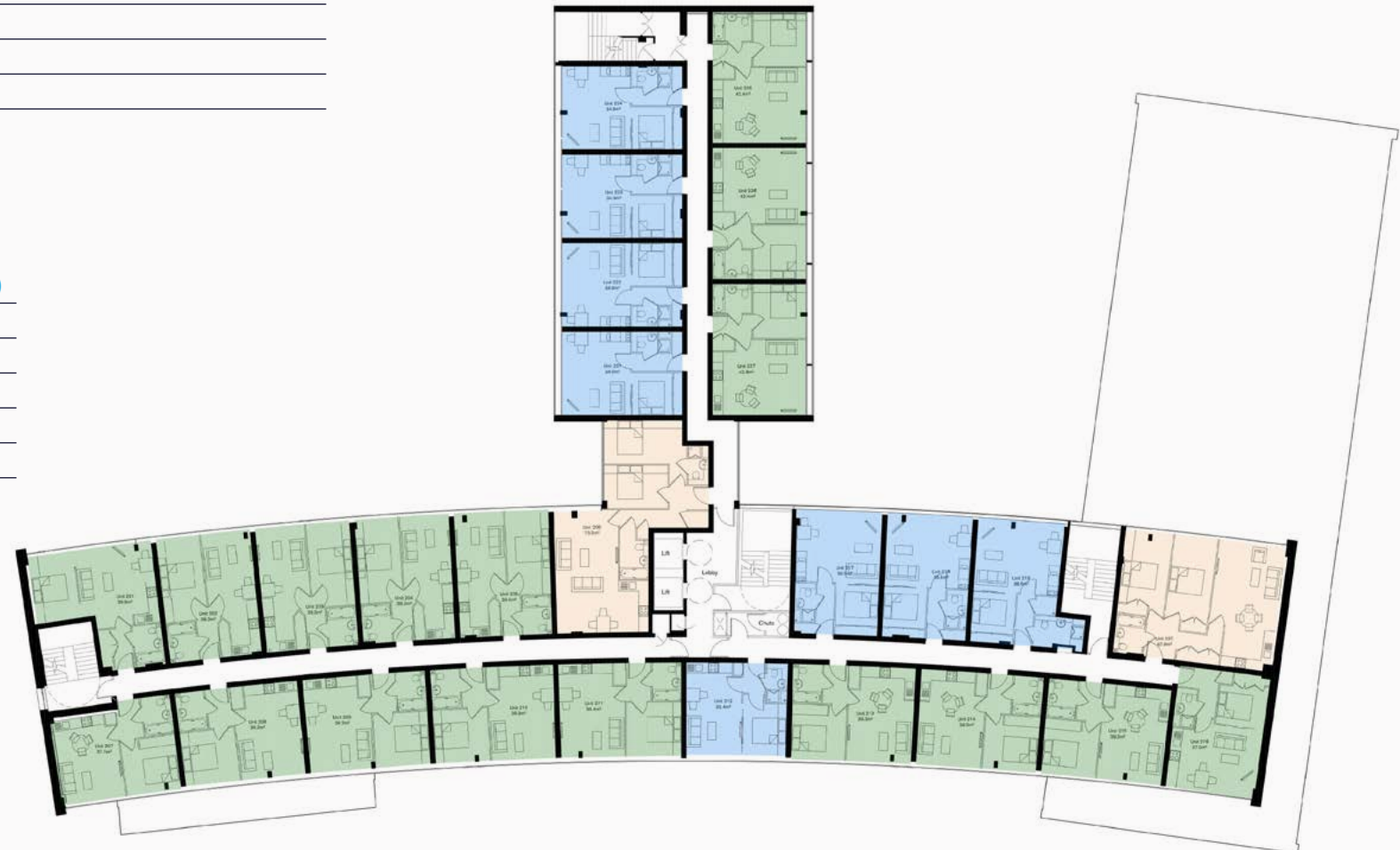
LEVEL	AREA (SQ FT)
Ground	8,223
First	12,972
Second	11,794
Third	11,775
Fourth	11,305
Total	56,069

SUMMARY OF UNITS

LEVEL	STUDIO	1 BED	2 BED	AREA (SQ FT)
Ground	3	14	1	18
First	4	24	1	29
Second	8	17	2	27
Third	8	17	2	27
Fourth	6	16	3	25
Total	29	88	9	126

- Studio
- 1 Bedroom
- 2 Bedroom

PROPOSED SECOND FLOOR



FUTURE DEVELOPMENT AND MASSING POTENTIAL

The property benefits from a low site coverage with significant massing potential.

The vendor has undertaken several massing studies one of which is detailed below and others (including potential to create a 15 storey tower) which are available upon request.

- 1 Implement existing Permitted Development scheme of 126 units.
- 2 Two storey roof extension on Exchange Road elevation.
- 3 New build tower to the northern elevation of the site, on Upton Road to create a nine storey residential building.
- 4 This proposed new scheme will create an additional 158 units on the new build element alone and a scheme that totals **284 units overall**.

Indicative plans are available upon request.

Proposed Schedule of Accommodation for 284 unit Scheme

FLOORS	PD TOTAL UNITS	ADD. UNIT PLANNING	TOTAL NO. UNITS	AREA GEA M2	AREA GEA SQFT	AREA NIA M2	AREA SQFT
Ninth	0	13	13	823	8,844	607	6,521
Eighth	0	13	13	823	8,844	607	6,521
Seventh	0	13	13	823	8,844	607	6,524
Sixth	0	26	26	1,759	18,909	1,275	13,705
Fifth	0	32	32	3,601	38,710	1,615	17,361
Fourth	25	15	40	2,350	25,266	1,711	18,391
Third	27	13	40	2,350	25,266	1,711	18,389
Second	27	13	40	2,350	25,266	1,711	18,390
First	29	13	42	2,375	25,536	1,783	19,170
Ground	18	7	25	1,558	16,743	1,096	6,521
Total	126	158	284	18,812	202,227	12,721	131,494





CHANGING WATFORD

Watford is undergoing significant changes and regeneration. These include:

- 1 **Watford Junction Masterplan** – Watford council have committed to a regeneration masterplan
- 2 **Intu Shopping Centre** – £180m extension / redevelopment to provide 1.4m sq ft of leisure and retail including a 9 screen IMAX Cineworld
- 3 **37 & 39 Clarendon Road** – Application pending for a 23 storey residential tower & 8 storey office building with a gym at ground floor
- 4 **36 Clarendon Rd** – New 6 storey office building with retail at ground floor level
- 5 **Gresham House, 53 Clarendon Road** – Consent granted March 2017 for a redevelopment of the site, comprising 67,000 sq ft of offices, 1500 sq ft of retail and 59 residential units
- 6 **27 Woodford Road** – Demolition of existing trade union hall and sports club and redevelopment of the site to provide a 6 storey building comprising 38 residential units
- 7 **73-77 Clarendon Road** – Conditional consent granted Sept 2017 for a new 12 storey office building (150,000 sq ft HQ for TJX International)



WATFORD JUNCTION MASTERPLAN

Watford Junction will become a vibrant mixed use neighbourhood and gateway to Watford, which complements the existing character and function of the surrounding area and seamlessly connects with the commercial centres of Clarendon Road and St. Albans Road, in addition to residential neighbourhoods such as Nascot. This new neighbourhood will provide for the community of Watford and help to raise the profile of the town and establish its position in the regional context.

A new and improved train station and public pedestrian concourse will improve movement across the site and promote the use of public transport. The station will provide the focus for a new commercial centre, including office space, and outstanding opportunities for shopping and leisure. The commercial centre will be supported by a number of residential neighbourhoods, which stitch into surrounding areas and provide valuable community services.

The illustrative masterplan includes a comprehensive development to include buildings of upto 21 stories and comprising the following uses and approximate floorspaces (GEA):

- Residential – 2,777 units
- Offices 73,920 sqm
- Retail 6,135 sqm
- Gym 789 sqm
- Two Primary Schools 3,000sqm each
- Community Uses 1,883 sqm
- Car Parking – 3,771 spaces



INTU SHOPPING CENTRE REGENERATION

Watford Borough Council has recently committed to an on-going redevelopment programme for the town centre. Over the next 10-15 years, more than £1.5bn of investment will be leveraged by the council as part of a major plan to create thousands of jobs, with significantly improved services, transport infrastructure and leisure facilities.

As a part of this wider programme, the INTU Shopping Centre will be redeveloped and extended at a cost of £180 million. Once the redevelopment programme is completed in 2018 the new 1.4 million sq ft centre will provide 400,000 sq ft of new space including 10 new restaurants and 16 new retail units as well as a leisure facility including

a 9 screen IMAX Cineworld cinema and a Hollywood Bowl tenpin bowling alley.

Debenhams, H&M and New Look have all agreed leases, joining the likes of Las Iguanas, Byron, TGI Fridays, Thaikon and Cabana in the new development.



WATFORD'S CHANGING RESIDENTIAL SKYLINE

Ascot Road, Watford

Developer – Orion

- 170,000 sq ft across five towers ranging from 6 to 24 storeys
- 485 Residential Units (65% private / 35% affordable)
- 10,500 sq ft community Class A space
- 2,300 sq ft of community Class D space
- 53,000 sq ft of new publicly accessible green space

Gresham House, 53 Clarendon Road

Developer – Orion

- 11-storey mixed use scheme
- 67,250 sq ft of commercial space,
- 1,500 sq ft retail
- 59 residential units, of which 36% will be affordable housing

37 & 39 Clarendon Road

Developer – Clarendon Road Development Ltd

- Under consideration
- 154 residential apartments over 23 storeys
- 11,716sqm (GEA) B1a office space over 8 storeys
- 496sqm of A3 cafe/restaurant and A5 (hot food takeaways)
- 200 car parking spaces over 3 levels of basement

Clarendon House, 33 Bridle Path

Developer – Clarendon House Watford Ltd

- 3 Towers over 14, 9 and 4 storeys
- 19,000 sq ft of office accommodation
- 41 residential apartments

Gresham House,
53 Clarendon Road



37 & 39 Clarendon Road



Ascot Road, Watford





ASSET MANAGEMENT INITIATIVES

- Enter into discussions with the existing tenant over a potential regear
- Refurbishment of the office and relet at a considerably higher level, whilst offering a discount to Clarendon Road, attracting interest on a multi let basis or as an HQ building
- Renew and implement the current PDR consent upon determination of the existing lease
- Explore significantly increased massing for the site
- Explore large scale redevelopment of entire site
- Explore alternative uses such as residential, hotel or student housing, subject to the necessary consents

VAT

The property is elected for VAT. However, it is anticipated that the sale will be treated as a Transfer of a Going Concern (TOGC).

PROPOSAL

We are instructed to seek offers in excess of **£19,500,000 (NINETEEN MILLION FIVE HUNDRED THOUSANDS POUNDS)**, subject to contract and exclusive of VAT.

A purchase at this level reflects a net initial yield of 5.12% (assuming purchaser's costs of 6.75%), based on the September 2019 rent and a low capital value of £308 psf on the NIA and £253 psf on the GIA.

FURTHER INFORMATION

For further information, please do not hesitate to contact one of the below.

Inspections are strictly by appointment only.

The logo for Finn & Co. is a magenta square containing the text "FINN & CO." in white, serif, all-caps font.

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