



**BAYER
HOUSE
NEWBURY**



SOUTH EAST TOWN CENTRE HEADQUARTERS OFFICE INVESTMENT

BAYER HOUSE, STRAWBERRY HILL, NEWBURY RG14 1JA INVESTMENT SUMMARY

- A prominent headquarters office campus located on a **3.6 acre site** in the heart of Newbury town centre.
- Newbury is a major South East town with excellent connectivity, located in close proximity to the M4 Motorway and with frequent, fast rail services to London.
- Bayer House is situated just behind the main shopping street and the new Parkway retail and residential scheme. The railway station is within walking distance.
- Let to the strong covenant of **Bayer plc** (D&B rating of **5A1**). Bayer plc is a leading global chemical and pharmaceutical company well known for high profile brands such as Aspirin, Berocca and Alker-Seltzer.
- Two leases with unexpired terms of **6.7 years**.
- **139,594 sq ft** (12,969 sq m) split between two blocks.
- An on-site multi-storey car park together with further surface and secure basement parking provide a total of 344 spaces, and an excellent in-town car parking ratio of **1:350 sq ft**.
- Combined rental income of **£1,819,625 per annum**, reflecting **£13.03 per sq ft** (£140 per sq m) overall.
- The rents passing are subject to a **minimum uplift** to an aggregate of £1,910,606 per annum on the 11th August 2013 reflecting £13.69 per sq ft (£148 per sq m).
- Offers are sought in the region of **£19,100,000** (Nineteen Million, One Hundred Thousand Pounds) subject to contract and exclusive of VAT.
- A purchase at this level provides an attractive Net Initial Yield of **9.00%** rising to a minimum of **9.45%** on 11th August 2013, net of purchaser's costs of 5.80%.
- Low capital value of **£145 per sq ft** (£1,561 per sq m).





Waitrose

Parkway

Northbrook Street

SITUATION

Bayer House is located within Newbury's main office area, just to the north west of the town centre and retail core. The main entrance to Bayer House is on Strawberry Hill which lies to the south of the A4 and to the west of the A339. The site can also be accessed on foot from West Street.

The property sits just behind the pedestrianised high street (Northbrook Street) which provides a wide range of shops, cafés and restaurants. The Parkway scheme is behind the opposite side of Northbrook Street. The area immediately surrounding the property is a mixture of offices and residential.

A Waitrose supermarket is a few minutes walk away to the north.

Newbury mainline railway station is within walking distance to the south.

COMMUNICATIONS



M4 Junction 13	4 miles (6.4 km)
Reading	17 miles (27 km)
Oxford	28 miles (45 km)
Central London	55 miles (88 km)

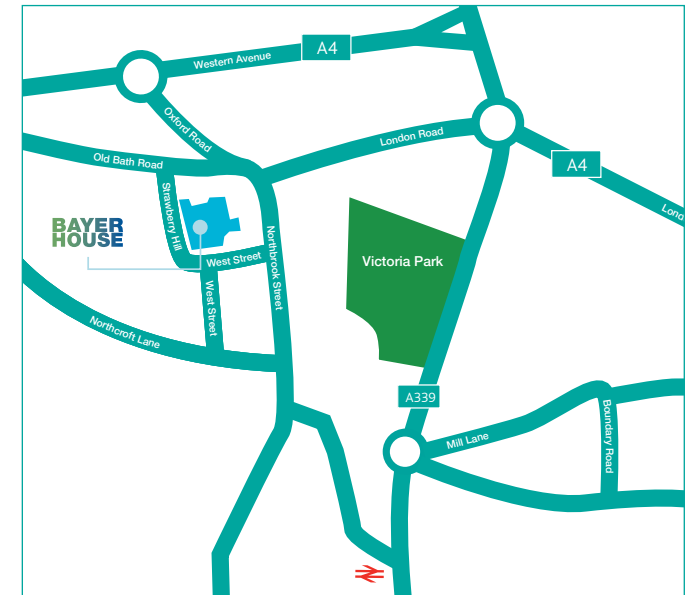
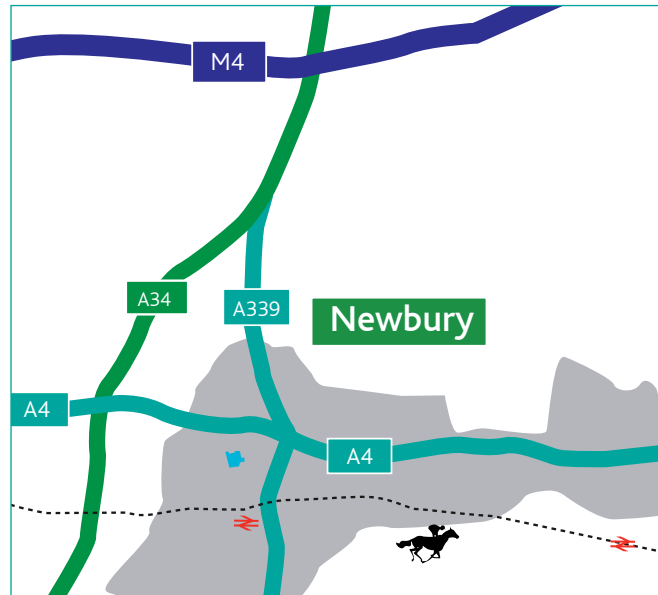
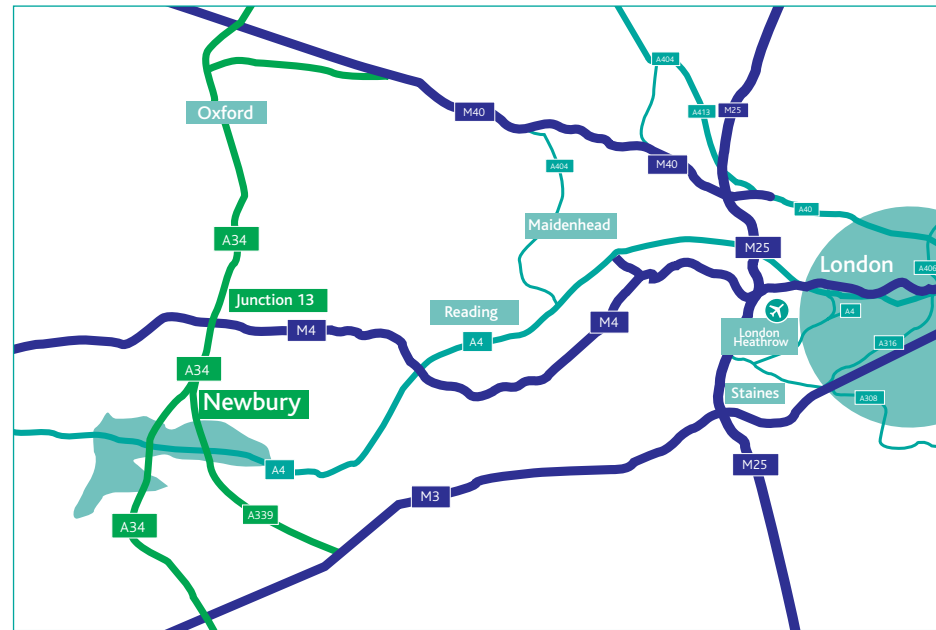


London Paddington	55 mins
Reading	21 mins
Bristol	96 mins



London Heathrow	46 miles (74 km)
London Gatwick	75 miles (120 km)
Southampton	40 miles (64 km)

RG14 1JA





LOCATION

Newbury is an attractive, affluent and historic market town strategically located along the M4 in the western corridor. The town benefits from excellent infrastructure and transport links, with Junction 13 of the M4 motorway passing to the north of the town, accessed via the A34 (Newbury Bypass) or A4 (Western Avenue). The M4 provides direct access to Swindon and Bristol to the west, and the M25, Reading, Heathrow and Central London to the east.

The A34 is the most strategically important A road in the South East and the only north-south dual carriageway outside the M25 which links the M3, M4 and M40 motorways.

Newbury has a population of around 33,000 with over 145,000 people living within the district (2001 census). 65% of the catchment are ABC1's compared to the national average of 54% (CACI). Newbury accordingly has the 15th most affluent catchment in the UK.

The combination of its accessibility, connectivity, affluent catchment and access to a skilled labour force has led to major global and national corporates being headquartered in the town. These include Vodafone, which is the town's largest employer, Bayer, Quantel and National Instruments. Other office occupiers include Nokia Siemens, Wolfson Micro Electronics, Micro Focus, Stryker and Towers Watson.

Retail provision in the town is excellent and has recently been boosted by the opening in October of the new town centre mixed use scheme, known as Parkway Newbury. This Standard Life funded retail and residential development totals 300,000 sq ft of retail and restaurant accommodation which is anchored by Debenhams, M&S and John Lewis at Home. Other retailers in the scheme include Jigsaw, Jones and Superdry. The development has 184 residential apartments and a 550 space multi storey car park. When the scheme opened, the centre saw over 100,000 shoppers in the first four days. Newbury is also home to one of England's major racecourses, which hosts the world famous Hennessy Gold Cup.



SITE

The broadly rectangular site totals approximately 1.45 hectares (3.6 acres)

DESCRIPTION

Bayer House is essentially an office campus which was built in 1982 as the UK headquarters for Bayer plc. The property is divided into two linked blocks known as A1 and A2 and a separate multi-storey car park. The buildings sit within a large attractive landscaped site with mature trees, shrubs, walkways and seating areas, all providing a pleasant working environment. The entrance to the site is accessed from Strawberry Hill.

The office buildings are of concrete framed construction with cavity brick elevations. The roofs are double pitched and largely surfaced with concrete tiles. The windows are powdercoated aluminium and double glazed.

BLOCK A1

Block A1, whilst linked to Block A2, has its own entrance and is capable of being self contained. The building comprises offices on ground, first and second floors with storage and plant in the basement.

The L shaped floor plate and centrally positioned core provides excellent levels of natural light and allows for multi-occupation on floors and part floors. The service core contains two 8 person passenger lifts together with male and female WC's.

BLOCK A2

The larger of the two, Block A2 is arranged on lower ground, ground and two uppers floors. The offices wrap around two central atria, one covered and one open, which both provide excellent levels of natural light into the office floor plates.

The main entrance to the building is accessed from Strawberry Hill. Two revolving doors lead into a main reception area which opens out into the large and impressive full height covered atrium. Bayer make full use of this space as a break out area. Bayer's restaurant and cafe also open out into this area.

There is a secondary entrance on the eastern elevation. The main service core is centrally positioned between the two atria and contains two 8 person passenger lifts and male & female WC's. There are two further 8 person passenger lifts and a goods lift centrally positioned at the eastern end of the floor plate next to the secondary entrance and a secondary staircase. The main staircase is situated in the covered atrium. There are five further escape staircases positioned regularly around the perimeter of the floor plate. The flexible configuration of the floor plate allows for multi-occupation on floors or part floors.

The lower ground floor is used for parking, storage and contains plant rooms. Car access is via a ramp on the north elevation.



SPECIFICATION

The offices in both buildings provide the following specification:

- Air conditioning (tenant's improvement)
- Metal and mineral tiled suspended ceilings
- Category II lighting
- Under floor trunking

The tenant has undertaken a rolling refurbishment programme over the years during which some of the plant and machinery has been replaced.

MULTI-STOREY CAR PARK

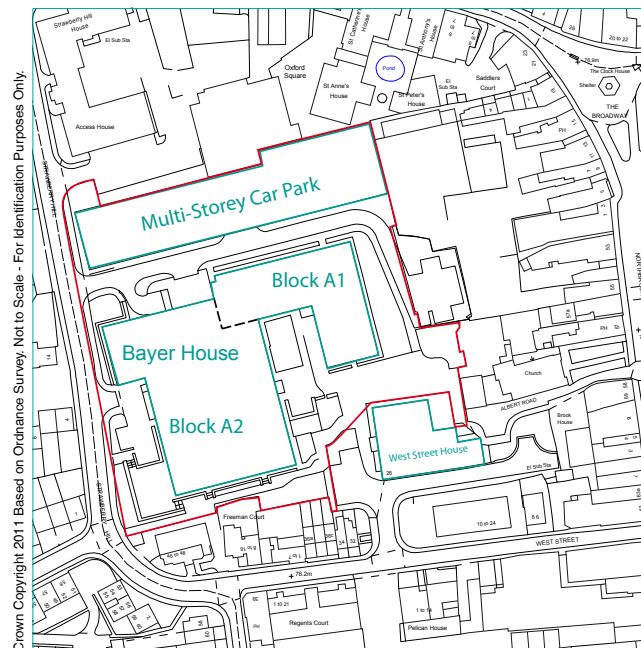
The building is concrete framed and brick clad and provides four main levels split into two (front and rear) effectively providing 8 levels and 363 spaces.

The owner of West Street House (currently West Berkshire Council, see OS site plan) has the right to park 65 cars in this car park.

There are 344 car parking spaces demised to the tenant throughout the site, providing an excellent parking ratio of **1:350** sq ft.

The spaces are arranged as follows:

Demise	Surface	Basement	Multi-Storey	Total	Ratio (sq ft)
Block A1	12		116	128	1:338
Block A2	6	28	182	216	1:357
Total				344	1:350



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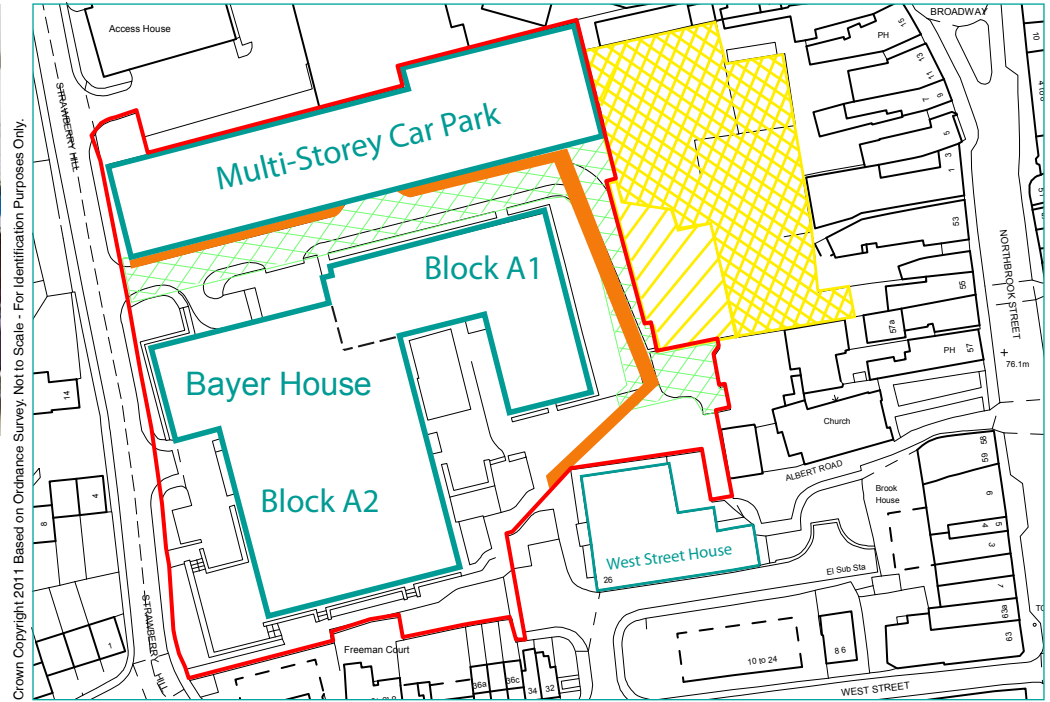
ACCOMMODATION

Our client has provided us with the following Net Internal floor areas which have been measured in accordance with the RICS Code of Measuring Practice (6th Edition):

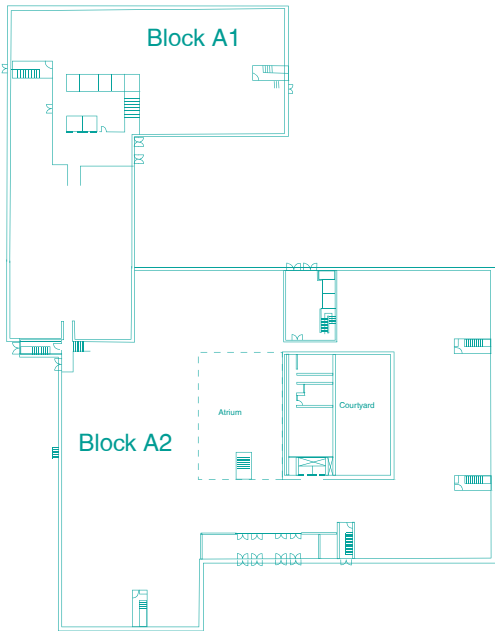
Block	Floor	Use	Area (sq ft)	Area (sq m)
A1	Lower Ground	Storage	4,450	413
	Ground	Reception	721	67
	Ground	Offices	12,689	1,179
	First	Offices	12,709	1,181
	Second	Offices	12,701	1,180
	Total			43,270
A2	Lower Ground	Storage	7,505	697
	Lower Ground	Storage/ Parking*	19,223	1,786
	Ground	Reception	2,780	258
	Ground	Atrium	3,431	319
	Ground	Offices	21,186	1,968
	First	Offices	21,513	1,999
	Second	Offices	20,686	1,922
	Total			96,324
TOTAL			139,594	12,969



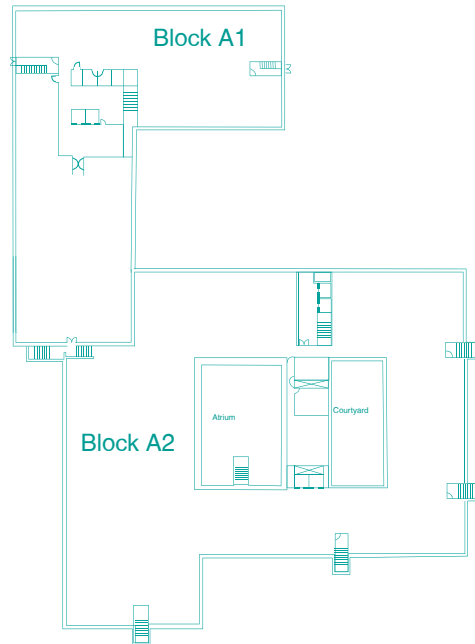
* The rent review clause states that the basement of A2 is assumed to be let as office storage despite it being used for parking. It would appear the parties are not however to assume a lesser number of car parking spaces being available as a result.



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Ground Floor



Upper Floors

TENURE

The property is held freehold.

The green area on the OS plan is land over which there is a right of access to and from the yellow land. The yellow land is in separate ownership.

There are ongoing discussions with the owner of the yellow land regarding their outstanding enabling works to be undertaken on the Bayer House site. See Investment Considerations on the final page.

The owners/occupiers of West Street House have a pedestrian right of access over the orange land.

TENANCY

The property is let to Bayer plc on two coterminous leases (one lease of Block A1 and the other of Block A2) for a term of 35 years expiring on 10 August 2018. The unexpired terms are therefore 6.7 years. The leases are drawn on effective full repairing and insuring terms.

The current rent passing on Block A1 is £609,183 per annum which equates to £14.07 per sq ft overall.

The current rent passing on Block A2 is £1,210,442 per annum which equates to £12.57 per sq ft overall.

The total combined rent is £1,819,625 per annum which equates £13.03 per sq ft overall.

The rents are both subject to review on 11 August 2013 to the higher of open market value or 105% of the rents passing. Therefore, the total rent will rise to a minimum of £1,910,606 per annum (13.69 per sq ft) on this date.

The rent review clause in the lease of Block A2 provides that the basement of Block A2 is to be valued as office storage and that the pink areas on the lease plans are to be treated as net lettable office areas. The pink areas include the reception and atrium.

The leases provide for a common parts service charge. The common parts include the external areas, roadways, boundaries and multi-storey car park. The leases provide for Bayer to administer this service charge if they so choose and this is what happens in practice. The owner of West Street House, currently West Berkshire Council (see OS plan) is required to contribute towards the service charge, which in their case mainly relates to the multi-storey car park.

COVENANT

Bayer plc, who's ultimate parent company is Bayer AG, based in Germany, is a leading global health care and chemicals group. The company provide a wide variety of products and services ranging from pharmaceuticals and crop protection to plastics and specialty chemicals. Bayer AG has a product list of over 5,000 products, including the high profile brands Aspirin, Alker-Seltzer and Berocca and has an annual turnover in excess of 32 billion euros.

Bayer House is the company's registered office and headquarters in the UK and Ireland. The company has been trading in the UK since 1871 and today employs over 1,250 people. Further information about the company can be found online at www.bayer.co.uk



FINANCIAL INFORMATION

The company is listed on the London and Frankfurt stock exchanges and reported the following financial results for the year ending 31st December 2010:

	Dec 2010 ('000)	Dec 2009 ('000)	Dec 2008 ('000)
Turnover	£374,567	£371,589	£345,246
Profit (loss)	£39,311	£31,621	£33,222
Net Worth	£140,128	£155,797	£199,632
Net Current Assets	£152,179	£179,885	£193,693

The company is rated by Dun & Bradstreet as **5A1**, which represents a minimum risk of business failure.

INVESTMENT CONSIDERATIONS

- This represents a unique opportunity to acquire a very well secured income stream and an important town centre site.
- Bayer House is Bayer plc's Headquarters for the UK and Ireland. Bayer have been in occupation for nearly thirty years and fully occupy the property today. Bayer have maintained the building well and have undertaken a rolling refurbishment programme.
- The leases have 6.7 years remaining and the rent is subject to a minimum uplift in August 2013.
- The 3.6 acre site lies in the heart of Newbury town centre and is one of the largest sites in the town in single ownership. The 363 space multi-storey car park is irreplaceable.
- There are opportunities to add value by entering into re-gear discussions with Bayer in the medium term.
- Given the size of the site and its town centre location, there is potential for redevelopment to a number of alternative uses or a mixed use scheme, subject to planning. These include residential, retirement, food store/retail and hotel uses.
- The adjoining 0.77 acre site (yellow land on the OS plan) had consent for 72 dwellings which lapsed in 2009. The site is in administration and is available for purchase from the administrator. The most likely future use will be residential/retirement. Some enabling works are required on the Bayer site before this site can be sold. Further details are available on request.