



123 PALL MALL

ST JAMES'S SW1



Prime Long Leasehold Investment Opportunity

INVESTMENT SUMMARY

- Trophy asset in one of London's most desirable sub markets

- Moments from St James's Square, London's most prestigious office address where the highest capital values and rents have been achieved

- Exclusive address benefitting from world renowned retailers, restaurants, private members clubs and hotels in close proximity

- Excellent transport links with Green Park and Piccadilly Circus Underground stations nearby, and Charing Cross and Victoria mainline stations only a short walk away

- Two of the Royal Parks, Green Park and St James's Park, are less than 5 minutes' walking distance

- Highly specified Grade II Listed building refurbished in 2018 providing 21,101 sq ft (1,960.4 sq m) of Grade A offices over lower ground, ground, mezzanine and five upper floors

- Generous floor to ceiling heights of up to 3.2m

- The property is held long leasehold for a term of 127 years from 29th September 1987 (94.3 years unexpired) at a passing head rent of £112,844 per annum

- Multi-let to a diverse range of tenants providing a strong covenant mix and attractive WAULT of 6.26 years to expiries and 3.16 years to breaks

- We are instructed to seek offers for the long leasehold interest in excess of **£22,750,000** (Twenty Two Million Seven Hundred and Fifty Thousand Pounds), subject to contract, reflecting a net initial yield of **5.00%** and capital value of **£1,078** per sq ft, assuming 6.80% purchaser's costs



INVESTMENT RATIONALE

-  Trophy St James's office
-  Striking period façade
-  Diverse income stream
-  High spec refurbishment in 2018
-  Generous floor to ceiling heights
-  Excellent transport connectivity

INCOME PROFILE

- Diverse and balanced income stream from strong covenants
- WAULT of 6.26 years to lease expiries (3.16 years to breaks)
- Diversity of occupational risk with no tenant accounting for more than 29% of the income
- Reversionary office passing rent of £62.91 per sq ft reflects a discount of 50% to prime St James's rents and 69% discount to the highest rent achieved of £202 per sq ft
- High yielding St James's asset reflecting cash on cash returns in the order of 7%





KEY MARKET DYNAMICS

- St James's has long been regarded as one of London's most exclusive office location, underpinned by its excellent connectivity, high quality accommodation, unrivalled amenity and brand-enhancing heritage.
- Strong tenant demand, against a backdrop of supply constraints, has seen average prime office rents in St James's consistently outperform those achieved elsewhere in the West End, especially for sub 5,000 sq ft floorplates.
- Restricted future supply and strong occupier demand is expected to stimulate further rental growth of c.6.5% over the next five years with prime rents forecast to reach £122.50 over this period.
- Significant improvements in surrounding public realm, retail and leisure amenity led by the The Crown Estate will increase occupier demand focusing on St James's.
- Low capital value at £1,078 per sq ft reflecting a discount of c.70% discount to prime capital values in St James's.

ASSET MANAGEMENT

- Very limited, if any, capital expenditure required over the medium term.
- Opportunity to regear the headlease.
- Extend the WAULT over time and capture rental growth in the medium term.

A PRIME ST JAMES'S LOCATION



Green Park
Station



Piccadilly Circus
Station

Green
Park

St James's
Square

123
PALL MALL



SOHO

COVENT
GARDEN

MAYFAIR

ST JAMES'S



Charing Cross Station

Trafalgar Square

Horse Guards Parade

St James's Park

Westminster Station

Houses of Parliament

Buckingham Palace



WESTMINSTER

ST JAMES'S

St. James's is world renowned for its prestige, wealth and luxury, situated between the Royal Palaces and Parliament to the south and Mayfair to the north. These establishments have cemented St. James's reputation as the residence and playground to the elite.

The St James's submarket is London's most prestigious office location traditionally home to corporate occupiers including Rio Tinto, Carlyle Group, Edmond de Rothschild and BP, alongside financial and boutique occupiers such as Apax Partners, Harwood International and Brewin Dolphin.

Occupiers are drawn to St. James's internationally renowned amenities including some of London's most famous hotels, such as The Ritz, Dukes Hotel and The Stafford, and world-class restaurants including Café Murano, The Wolseley, The Criterion and HIDE.

To the north of St. James's Square are Bond Street, Jermyn Street and Savile Row, which boast some of the capital's most exclusive retail brands including Cartier, Hermès and Louis Vuitton as well as a vast array of traditional tailors such as H. Huntsman & Sons and Gieves & Hawkes.

The opulence of St. James's combined with the area's rich history means London's most exclusive private members clubs are situated here including Brook's, White's, The Reform Club, The Carlton Club, The Royal Automobile Club, The In & Out Club, The Army & Navy Club and The Oxford & Cambridge Club.

St. James's appeal is further contributed to by the area's expansive array of public green spaces provided by the Royal Parks, including St. James's Park, Green Park and Hyde Park, and St. James's Square itself.





THE CROWN ESTATE

The Crown Estate has retained significant interests in St James's for over 300 years and has had a strong influence in shaping one of the world's premier addresses.

The Estate is investing £500 million as part of a major development plan focused on enhancing the unique architectural and historical character of the area. This significant investment and long-term estate strategy by a single, majority landlord will ensure St James's remains one of the most desirable and exclusive addresses.

Notable developments include St James's Market; a 260,000 sq ft (24,150 sq m) mixed use scheme offering high quality office, retail and leisure space. The success of this repositioning of St James's has been demonstrated by the list of flagship retailers such as Aspinall of London and a number of leading restaurants including the Michelin Starred Aquavit, Duck and Waffle Local, and Ikoyi.

This significant investment into the future of St James's will benefit local landlords with further improved tenant amenity, globally recognised retailers and new exciting destination restaurants located within walking distance.



LONDON'S RENOWNED OFFICE VILLAGE

123 Pall Mall occupies a prominent corner position at the intersection of Pall Mall and Haymarket, in the prime West End sub market of St James's.





LOCAL OCCUPIERS & AMENITIES

Offices

1. BP
2. Rio Tinto
3. Brewin Dolphin
4. HSBC Private Bank
5. Citi
6. Anglo American
7. Rolex
8. Temasek
9. Warburg Pincus & Co
10. Edmond de Rothschild
11. Carlyle Group
12. BAE Systems
13. Credit Suisse
14. Permira Advisers

Restaurants

1. Wiltons
2. Avenue
3. Caviar House & Prunier
4. The Wolseley
5. Café Murano
6. Boulestin
7. Franco's
8. Langan's
9. Rowley's
10. Sake No Hana
11. 45 Jermyn Street

Retail

1. Berry Bros & Rudd
2. Fortnum & Mason
3. Lock & Co. Hatters
4. Hawes & Curtis
5. Paxton & Whitfield
6. Alfred Dunhill
7. Turnbull & Asser
8. Thomas Pink
9. Hackett
10. Daks
11. Harvie & Hudson
12. Crockett & Jones
13. Hilditch & Key
14. De Beers

Hotels

1. Dukes Hotel
2. The Mayfair
3. The Stafford
4. The Ritz
5. Sofitel
6. The Haymarket
7. The Cavendish
8. Le Meridien

Private Members Clubs

1. Boodle's
2. The Royal Automobile Club
3. In & Out Club
4. Oxford & Cambridge Club
5. White's
6. The East India Club
7. The Travellers Club
8. Institute of Directors
9. Turf Club
10. Pratt's
11. Reform Club
12. The Athenaeum

Culture

1. Clarence House
2. Institute of Contemporary Arts
3. Royal Academy of Arts
4. St James's Palace
5. Christie's
6. Grosvenor Gallery
7. Martyn Gregory
8. Whitford Fine Art
9. Theatre Royal Haymarket
10. Her Majesty's Theatre
11. Jermyn Street Theatre
12. Criterion Theatre
13. White Cube Mason's Yard
14. BAFTA

TRANSPORT CONNECTIONS



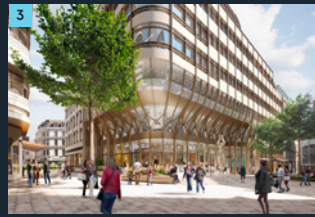
NEIGHBOURING DEVELOPMENTS



1 & 2 ST JAMES'S MARKET, SW1
 Size: 210,123 sq ft
 Status: Speculative, Fully-let in 2018
 Completion: 2016
 Developer: The Crown Estate & Oxford Properties



ST JAMES'S MARKET PHASE 2, SW1
 Size: 240,000 sq ft
 Status: Planning application
 Completion: Q4 2023
 Developer: The Crown Estate & Oxford Properties



ST JAMES'S MARKET PHASE 3, SW1
 Size: To be confirmed
 Status: Pre-planning
 Completion: Est. 2024 onwards
 Developer: The Crown Estate & Oxford Properties



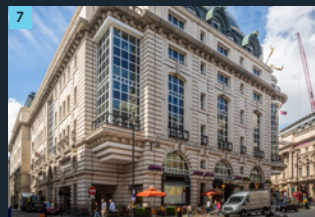
21 ST JAMES'S SQUARE, SW1
 Size: 60,000 sq ft
 Status: Speculative 100% let
 Completion: 2018
 Developer: Threadneedle



20 ST JAMES'S STREET, SW1
 Size: 53,180 sq ft
 Status: Speculative 35% let
 Completion: 2018
 Developer: WELPUT



THE MARQ, SW1
 Size: 35,000 sq ft
 Status: Speculative 82% let or under offer
 Completion: Q2 2019
 Developer: The Crown Estate



1 JERMYN STREET, SW1
 Size: 120,000 sq ft
 Status: 100% under offer
 Completion: Q2 2020
 Developer: Golfrate Property Management Limited



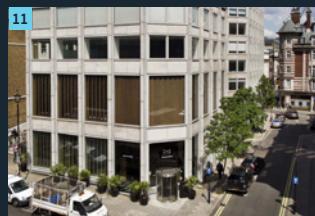
78 ST JAMES'S STREET, SW1
 Size: 113,896 sq ft
 Status: Under construction
 Completion: Q1 2021
 Developer: WELPUT



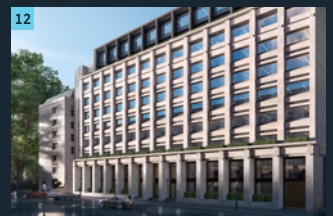
NORFOLK HOUSE, SW1
 Size: 112,265 sq ft
 Status: Planning permission
 Completion: Q4 2021
 Developer: Audley Management



NEW ZEALAND HOUSE, SW1
 Size: 100,000 sq ft
 Status: Proposed refurbishment
 Completion: 2022
 Developer: The Crown Estate



SMITHSON PLAZA, SW1
 Size: 77,400 sq ft
 Status: Completed
 Completion: 2019
 Developer: Tishman Speyer



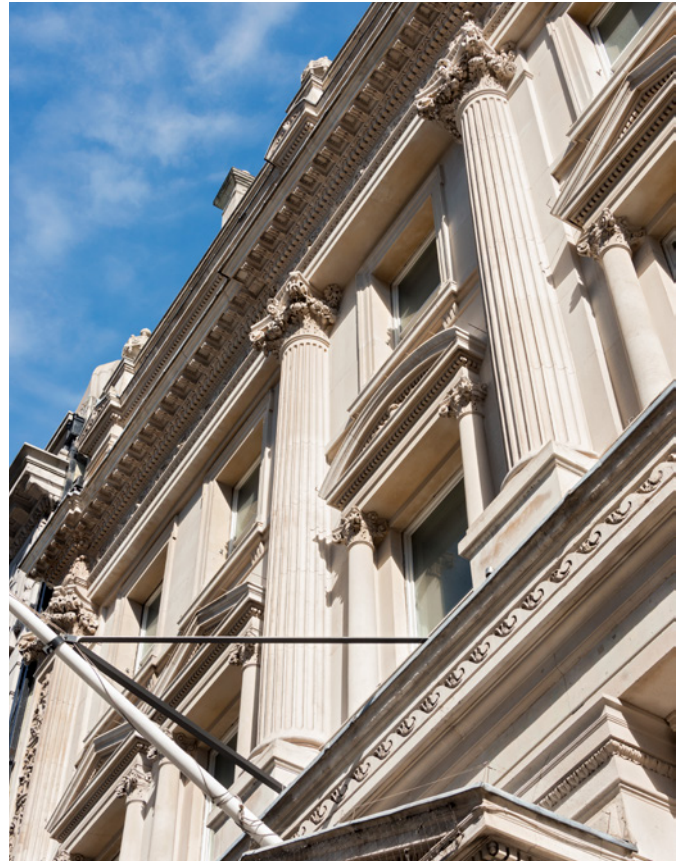
20 CARLTON HOUSE TERRACE, SW1
 Size: 100,000 sq ft
 Status: Planning permission
 Completion: Q2 2023
 Developer: Clivedale

THE BUILDING

123 Pall Mall was originally constructed in 1880 and was comprehensively refurbished behind the retained façade completing in 2018.

The building is Grade II Listed and provides high quality Grade A office accommodation offering 21,101 sq ft (1,960.4 sq m) NIA arranged over lower ground, ground, mezzanine and five upper storeys. The building is of stone construction with a pitched roof.

Internally the accommodation provides open plan floorplates of circa 1,500 sq ft (139.35 sq m) to 3,000 sq ft (278.71 sq m) arranged in a broadly L-shaped layout with the core positioned at the centre of the floorplate. As such, the floorplate is split into two separate units on each of the upper floors.





SPECIFICATION

The property provides the following specification:

- Concierge front of house reception
- New VRF air conditioning
- LED lighting
- High quality changing rooms and lockers
- Metal tiled ceilings and raised floors
- 2 x 8 person passenger lifts
- 18 cycle spaces
- 6 showers







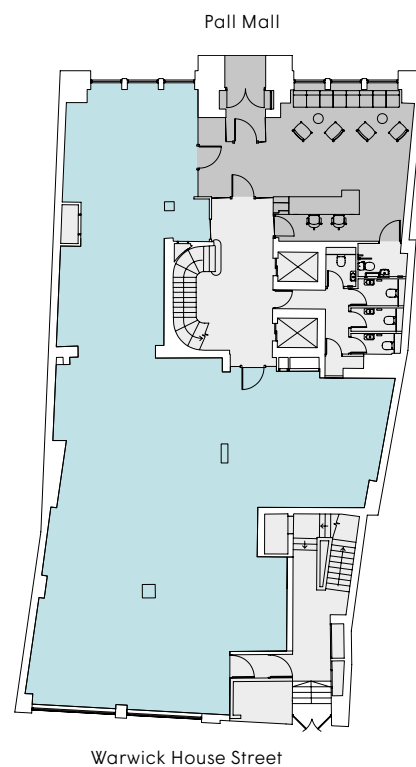
ACCOMMODATION

The property has been measured by Magnolia Square, in accordance with the RICS Code of Measuring Practice (6th Edition), and comprises the following net internal floor areas:

Floor	Use	North NIA (sq ft)	South NIA (sq ft)	Total NIA (sq ft)	Total NIA (Sq m)
5th	Office		1,510	1,510	140.28
4th	Office	1,193	1,696	2,889	268.40
3rd	Office	1,366	1,692	3,058	284.10
2nd	Office	1,359	1,701	3,060	284.28
1st	Office	1,357	1,692	3,049	283.26
Mezzanine	Office	1,341	1,685	3,026	281.12
Ground	Office			2,649	246.10
Lower Ground	Office			1,860	172.80
Total				21,101	1,960.35

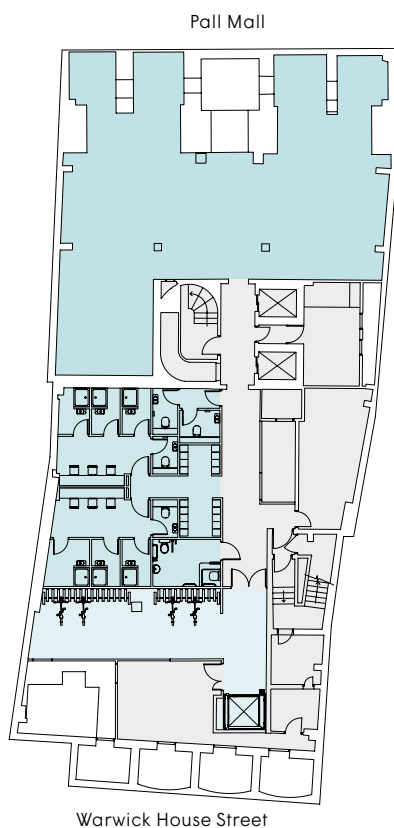
GROUND FLOOR PLAN

2,649 sq ft / 246.10 sq m



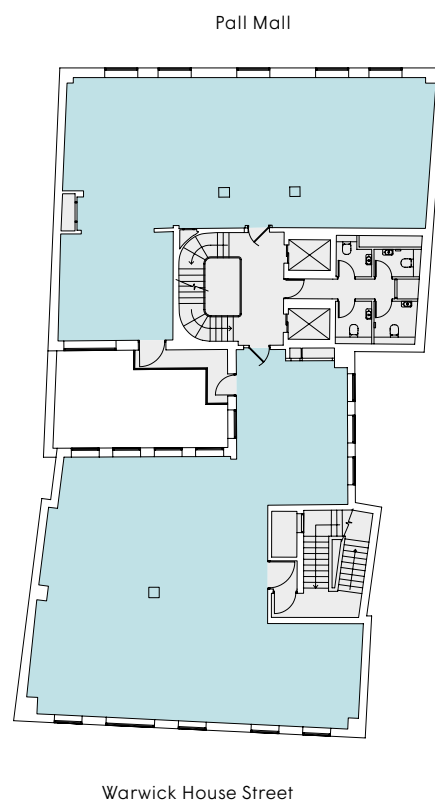
LOWER GROUND FLOOR PLAN

1,860 sq ft / 172.80 sq m



TYPICAL UPPER FLOOR PLAN (2ND)

3,060 sq ft / 284.28 sq m





TENURE

HEADLEASE SUMMARY

The Property is held long leasehold from Coldunell Limited, for a term of 127 years from 29th September 1987 (94.3 years unexpired) at a passing head rent of £112,844 per annum. The head rent is reviewed five yearly to 10% of open market rent, either let as a whole or in parts (whichever is the higher), subject to a minimum sum of £52,000 per annum. A comprehensive headlease summary is available in the dataroom.

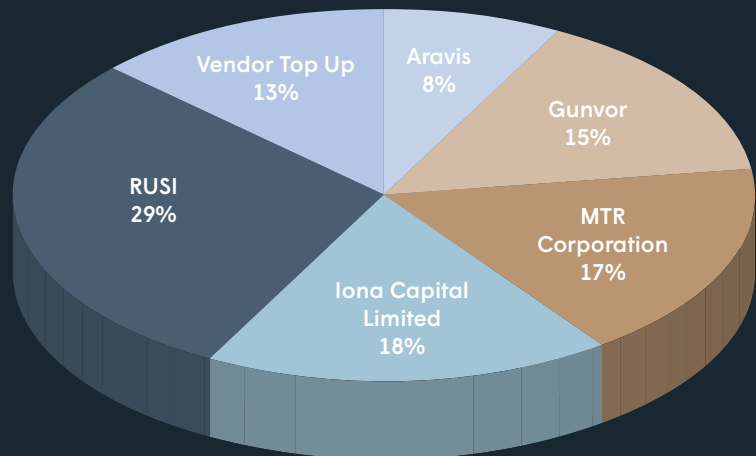


INCOME ANALYSIS

Gross Rent Per Annum: £1,327,480
Net Rent Per Annum: £1,214,636

WAULT (to expiry): 6.26 years
WAULT (to breaks): 3.16 years

Average Office Rent: £62.61 per sq ft



TENANCY SCHEDULE

Floor	Tenant	Sq Ft	Lease Start	Rent Review	Break Option	Lease Expiry	Rent	Rent Sq Ft	Comments
5th	Aravis	1,510	05/11/2019		04/11/2022	04/11/2024	£107,210	£71.00	Rent commencement 05/04/2020 with 6 months at half rent to be topped up by vendor. Tenant's only option to determine on 04/11/2022, subject to a 2 months rent break penalty. If not exercised, the tenant will receive 4 months' rent free.
4th	Gunvor	2,889	06/11/2019		24/11/2022	05/11/2024	£196,452	£68.00	Tenant's only option to determine on 24/11/2022 – if not exercised, the tenant will receive 5 months' rent free. Utilities are excluded from service charge cap of £46,224 (£16.00psf). Guarantor: Gunvor Group Limited.
3rd	MTR Corporation	3,058	24/12/2019	24/12/2024	24/12/2024	23/12/2029	£221,633	£72.48	Rent commencement 24/07/2020 with 6 months at half rent to be topped up by vendor. Tenant's only option to determine on 24/12/2024 – if not exercised, the tenant will receive 11 months' rent free.
2nd	Iona Capital Limited	3,060	29/01/2019	29/01/2024	24/03/2024	28/01/2029	£240,000	£78.43	Rent commencement 29/07/2019 with 14 months at half rent to be topped up by vendor. Tenant's only option to determine on 24/03/2024 – if not exercised, the tenant will receive 8 months' rent free.
Lower Ground, Mezzanine and 1st	RUSI	7,935	14/01/2020		24/03/2023	13/01/2025	£390,000	£49.15	Rent commencement 14/08/2020 with outstanding rent free to be topped up by vendor. Tenant's only option to determine on 24/03/2023 – if not exercised, the tenant will receive 4 months' rent free. Utilities are excluded from index linked service charge cap of £126,920 (£16.00psf).
Ground	Vacant	2,649					£172,185	£65.00	Vendor will offer a 24 months rent and service charge top up.
TOTAL		21,101					£ 1,327,480		
HEAD RENT							-£112,844		
NET RENT							£ 1,214,636		

TENANT COVENANTS

RUSI (Royal United Services Institute) Trading Limited Co. Reg. 03147032

The Royal United Services Institute (RUSI) is an independent think tank engaged in cutting edge defence and security research. A unique institution, founded in 1831 by the Duke of Wellington, RUSI embodies nearly two centuries of forward thinking, free discussion and careful reflection on defence and security matters.



Aravis Co. Reg. 09919517

Aravis Capital is an independent capital raising, fund introduction and investment management advisory business. They specialise in outsourced capital raising and marketing for a selection of institutional fund management companies.



Iona Capital Limited Co. Reg. 01583260

Iona Capital manages funds for institutional investors which provide equity and subordinated debt into renewable infrastructure projects in the BioEnergy sector.



MTR Corporation (UK) Limited Co. Reg. 714016

MTR Corporation Limited is a majority state-owned Hong Kong company listed on the Hong Kong Exchange and the OTC Markets Pink Sheets, and a component of Hang Seng Index. The MTR Corporation runs Hong Kong's eponymous Mass Transit Railway, and is also a major property developer and landlord in Hong Kong. In July 2014, MTR Corporation was awarded the concession to operate the new Elizabeth line (Crossrail) train service across London on an eight year contract (with the option to extend by a further two years).

Gunvor UK Limited Co. Reg. 11629504

Gunvor Group is one of the world's largest independent commodities trading houses by turnover, creating logistics solutions that safely and efficiently move physical energy and bulk materials from where they are sourced and stored to where they are demanded most. Guarantor: Gunvor Group Limited.





Kinnaird House, 1-4 Pall Mall East, SW1

OCCUPATIONAL MARKET

St. James's is a premier global office address achieving some of the world's highest rents, due to the location's high-quality office space and exceptional amenities.

- Low Vacancy Rate – new build vacancy rate stands at 1.0% compared to the 10-year average of 1.4%.
- Limited Future Supply – Only 135,700 sq ft (12,607 sq m) with planning permission expected to be speculatively delivered over the next 5 years compared to an average annual take up of 149,800 sq ft (13,917 sq m) per year.
- Strong Occupier Demand – 61% of West End occupier demand (2.2m sq ft) includes St James's as a target market.
- Strong Rental Growth – 6.5% forecast in St James's over the next 5 years driven by strong demand and constrained supply.
- Reversionary Rents – Recent lettings in St James's have achieved in excess of £140 per sq ft, 124% higher than average passing rent in 123 Pall Mall.
- Prime Location – St James's office demand premium rents to reflect the prestigious location and excellent amenity.

Tenant	Date	Property	Floor	Area (sq ft)	Rent (£psf)	Term (Break) Years
Appian Capital Advisory	Aug-19	45 Pall Mall, SW1	5	7,823	£80.00	10 (5)
New Zealand High Commission	Aug-19	Kinnaird House, 1-4 Pall Mall East, SW1	2, 4, 5	28,486	£80.00	10
Private Equity Recruitment	Aug-19	Kinnaird House, 1-4 Pall Mall East, SW1	Part 1	3,900	£77.50	10
Literacy Capital Asset Management LLP	Mar-19	Charles House, 5-11 Regent Street, SW1	3	4,596	£77.50	10 (5)
Harbour Litigation	Aug-18	8-10 Waterloo Place, SW1	4	4,570	£93.50	5
Apollo Tyres UK Limited	Jun-18	8-10 Waterloo Place, SW1	1	5,231	£104.00	10 (5)
Seaport Financial Europe Limited	Feb-18	Charles House, 5-11 Regent Street, SW1	7	3,644	£72.50	5 (3)
Brewin Dolphin Limited	Jan-18	8-10 Waterloo Place, SW1	2	5,309	£102.50	10 (5)
8 Advisory	Nov-17	48 Pall Mall, SW1	7	3,273	£115.00	10 (5)
LXM (Credit Management Limited)	Apr-17	48 Pall Mall, SW1	6	3,835	£115.00	10 (5)

INVESTMENT MARKET

The West End of London continues to see significant demand from both overseas and domestic investors, attracted by liquidity and transparency against a backdrop of a robust leasing market. This continued investment sees Prime Yields in the West End remain stable at 3.75%.

Demand for high quality multi-let assets with secure income streams is particularly strong as investors look to spread risk and capitalise on rental growth.

Property	Size (sq ft)	Tenure	Principal Tenant	WAULTC (years)	Date	Price	Net Initial Yield	Capital Value (£ psf)	Purchaser
101 St Martin's Lane, WC2	47,890	LH (94 yrs @ 5%)	Abercrombie & Kent Ltd	4.50	U/O	£58.00M	5.15%	£1,211	Tishman Speyer
8-10 Waterloo Place, SW1	35,387	LH (122 yrs @ 16%)	Brewin Dolphin Ltd	11.10	Jan-20	£72.00M	4.00%	£2,035	Cara Real Estate
Eagle House, 108-110 Jermyn Street, SW1	40,077	LH (102 yrs @ 15% on office and 80% on public house)	TM Lewin & Sons Ltd	7.70	Feb-20	£52.75M	5.01%	£1,372	Mactaggart Family & Partners
16 St James's Street, SW1	54,100	LH (106 yrs @ 10%)	ExodusPoint Capital Management	N/A	Aug-19	£77.50M	4.55%	£1,433	The Crown Estate
100 Pall Mall, SW1	60,620	LH (116.5 yrs @ 10%)	Regus Investments Ltd	N/A	Apr-19	£90.00M	4.28%	£1,485	Motcomb Estates
39 St James's Street, SW1	25,327	LH (110 yrs @ 10%)	Fiera Capital	N/A	Apr-19	£56.00M	3.64%	£2,211	The Crown Estate
50 Pall Mall, SW1	35,257	FH	Northgate Capital Ltd	3.70	Mar-19	£61.00M	4.12%	£1,730	Lazari Investments

8-10 Waterloo Place, SW1



EPC

Copies of the certificates are available on the data room.

PLANNING

The property is Grade II Listed and is situated in the St James's conservation area.

VAT

The property has been elected for VAT, and the transaction will be treated as a Transfer of a Going Concern.

DATA ROOM

Access to an online dataroom is available on request.

PRICING

Offers are invited for the long leasehold interest in excess of **£22,750,000** (Twenty Two Million Seven Hundred and Fifty Thousand Pounds), subject to contract, reflecting a net initial yield of **5.00%** and capital value of **£1,078** per sq ft, assuming 6.80% purchaser's costs and exclusive of VAT.

CONTACT

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