

CENTENARY HOUSE

10 WINCHESTER ROAD, BASINGSTOKE, RG21 8UG

A FREEHOLD OFFICE INVESTMENT BENEFITING FROM
RPI-LINKED RENTAL INCREASES & 16+ YEARS UNEXPIRED



INVESTMENT HIGHLIGHTS



LONG UNEXPIRED LEASE TERM OF APPROXIMATELY **16.8 YEARS**



RPI-LINKED RENT REVIEWS, PROVIDING GUARANTEED RENTAL PERFORMANCE



TENANCY SECURED AGAINST **KIER CONSTRUCTION LTD** - 5A2 D&B RATING

£147.2 MILLION NET ASSETS (2020)

TENANT'S PERFORMANCE GUARANTEED BY **KIER LTD**

£20.23 PER SQ FT

LOW TOPPED-UP RENT **25% DISCOUNT TO PRIME** (£27.00 PER SQ FT)



SIGNIFICANT RENTAL DISCOUNT RELATIVE TO OTHER SOUTH EAST OFFICE MARKETS



FREEHOLD SITE OF c.1.8 ACRES, WITH LONG-TERM **ALTERNATIVE USE POTENTIAL**



COMPREHENSIVELY REFURBISHED IN 2014 - **BREEM 'EXCELLENT'** AND **EPC A RATING**



ATTRACTIVE RUNNING YIELD AND LOW CAPITAL VALUE PER SQ FT



POTENTIAL TO ENHANCE RETURNS BY SECURING **ATTRACTIVE DEBT TERMS**



A MODERN HQ BUILDING LET TO KIER CONSTRUCTION LTD FOR 16+ YEARS

INVESTMENT SUMMARY

- ▷ Basingstoke is an **established and affluent South East office location**, benefiting from excellent connectivity to the M3 Motorway and within a 47-minute train journey of Central London.
- ▷ Centenary House occupies a prominent **town centre location on Winchester Road**, within walking distance of Festival Place Shopping Centre and Basingstoke railway station.
- ▷ Headquarters office building totalling approximately **36,092 sq ft (NIA)**, with highly flexible floorplates arranged over ground, first and second floors.
- ▷ **117 surface car parking spaces**, providing an excellent town centre ratio of **1:308 sq ft**.
- ▷ Fully let on FRI terms to **Kier Construction Ltd** (guaranteed by **Kier Ltd**) for a term of 20 years expiring on 20th December 2037 (**16.8 years unexpired**).
- ▷ Kier Construction is a highly established contractor, benefiting from a **significant number of substantial construction contracts** across the UK including schools, hospitals and offices.
- ▷ Tenancy subject to annual **RPI-linked rent reviews** (compounded and payable 5-yearly), collared and capped at **2.00% and 4.00%** respectively.
- ▷ The vendor is to provide a rental top-up to £730,155 per annum / **£20.23 per sq ft overall**.



PROPOSAL

We are instructed to seek offers in excess of **£11,400,000** for the freehold interest, subject to contract and exclusive of VAT.

Based upon purchaser's costs of 6.71%, an acquisition at this level provides the following investment profile:

- ▷ Initial Yield - **6.00% (Topped-up)**
- ▷ Capital Value - **£316 per sq ft**

	Min. Uplift (2.00%)	Max. Uplift (4.00%)
Dec 2022:	6.24%	6.49%
Dec 2027:	6.89%	7.90%
Dec 2032:	7.61%	9.61%

BASINGSTOKE

Basingstoke is an established and affluent South East office centre, offering access to a highly skilled workforce, excellent transport links and outstanding local amenity. The town is located approximately 50 miles south-west of Central London, 18 miles south of Reading and 30 miles north-east of Southampton.

The town centre lies 1 mile north-west of the M3 Motorway (Junction 6), providing direct access to London, Southampton and the M25 Motorway (Junction 12). In addition, regular and direct rail services operate between Basingstoke station and London Waterloo, with a fastest journey time of 47 minutes.

BY ROAD

M3 (Junction 6) - 5 MINS

M3 (Junction 7) - 10 MINS

M25 (Junction 12) - 30 MINS

Central London - 75 MINS

BY RAIL

Reading - 17 MINS

Southampton - 31 MINS

Clapham Junction - 39 MINS

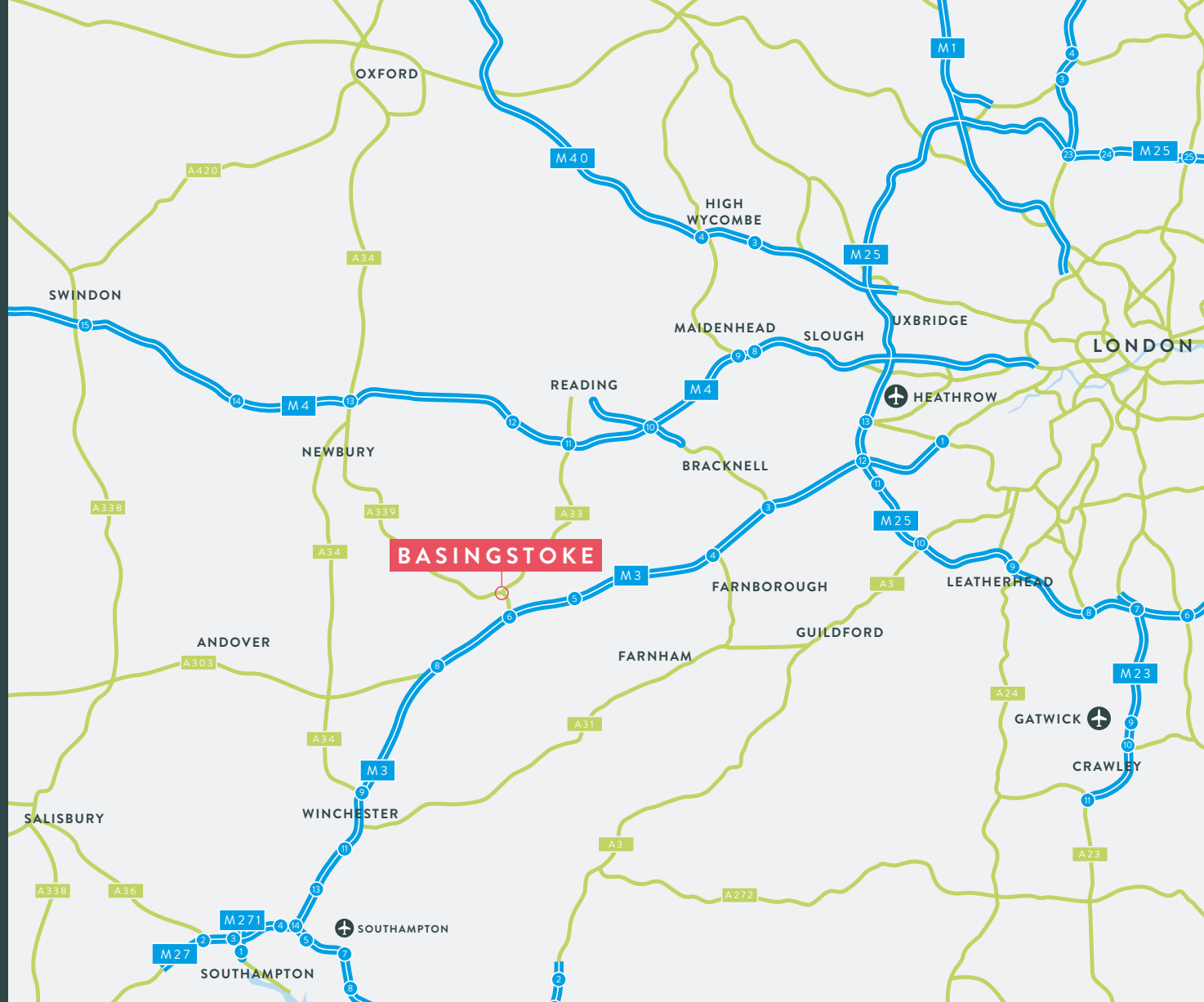
London Waterloo - 47 MINS

Green Park - 65 MINS

LONDON AIRPORT DISTANCES

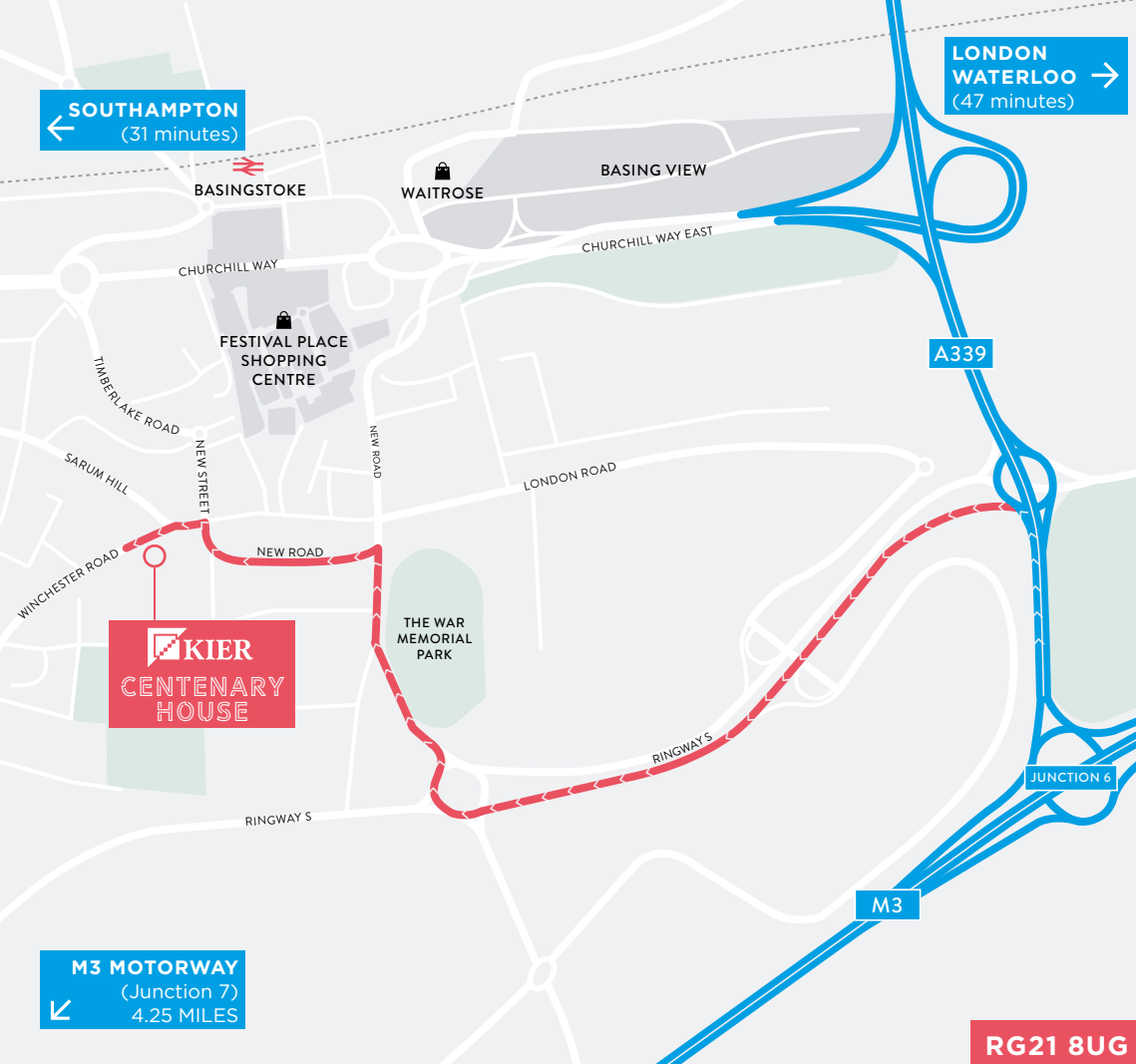
Heathrow - 40 MILES

Gatwick - 60 MILES



Basingstoke has been ranked as the number one place in the UK for the digital economy by the National Institute of Economic and Social Research, building on the town's reputation as part of the area's 'Tech Corridor'.

It is also recognised as an excellent place for inward investment by Local Futures, which ranked Basingstoke as being in the top three local authority areas in the country to base a business. This was as a result of the high levels of productivity, excellent business survival rates and the number of knowledge driven businesses based in the area.



SITUATION

Centenary House occupies a prominent position on Winchester Road within Basingstoke town centre, approximately ½ a mile from Basingstoke railway station and ¼ of a mile from Festival Place Shopping Centre.

Festival Place is a vibrant shopping centre providing over 1 million sq ft of floor space and comprising over 200 retail units, together with restaurants, bars and cafes, most of which are located outside in Festival Square. The Centre also incorporates a cinema, a sports centre and Basingstoke Discovery Centre.

By road, the property is easily accessible from the M3 Motorway, being approximately 1 mile west of Junction 6, whilst Junction 7 is located approximately 4.25 miles to the south-west.

Directly south of Centenary House is 'Stanton Court' where Bourne Homes have recently developed a collection of attractive three and four bedroom houses.



CENTENARY HOUSE

Centenary House comprises a self-contained headquarters office building totalling approximately 36,092 sq ft (NIA), arranged over ground and two upper floors. The property occupies a prominent town centre site extending to approximately 1.8 acres.

Centenary House was comprehensively refurbished in 2014 to provide modern, contemporary office space with regular and flexible floor plates capable of subdivision. The property specification includes:



VRV AIR CONDITIONING SYSTEM



2 X 8 PERSON (630 KG) PASSENGER LIFTS



SUSPENDED CEILINGS INCORPORATING LED LIGHTING



RAISED FLOORS WITH A GENEROUS FLOOR TO CEILING HEIGHT



SHOWERS AND WCS ON EACH FLOOR



KITCHEN AREAS



ROOF MOUNTED PV PANELS



SECURE EXTERNAL BICYCLE PARKING

In addition, the property benefits from 117 surface car parking spaces providing an excellent town centre ratio of 1:308 sq ft.

ACCOMMODATION

The property has been measured by Lane & Frankham in accordance with the RICS Code of Measuring Practice (6th Edition) to provide the following approximate net internal areas:

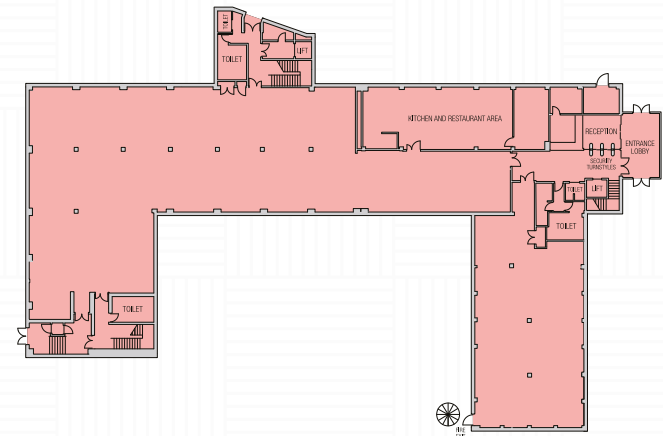
FLOOR	AREA (SQ M)	AREA (SQ FT)
Ground Floor	1,315.0	14,155
First Floor	1,332.0	14,337
Second Floor	706.1	7,600
TOTAL	3,353.1	36,092

The building has also been measured in accordance with the RICS Property Measurement 1st Edition (incorporating IPMS 3). Lane & Frankham's report is available upon request.

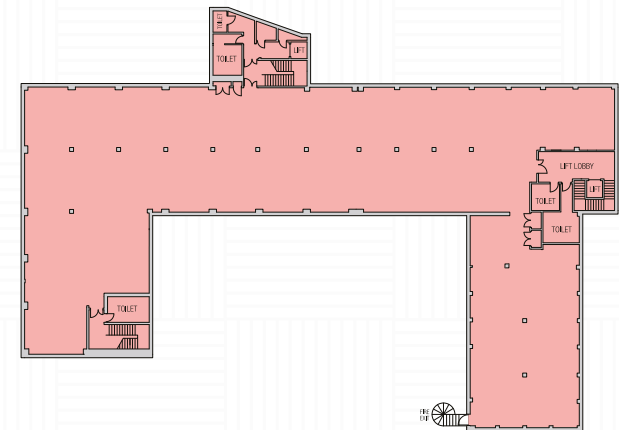


FLOOR PLANS

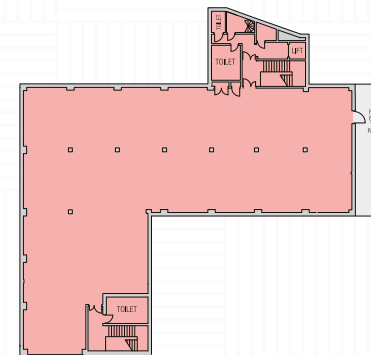
GROUND FLOOR



FIRST FLOOR



SECOND FLOOR



WINCHESTER ROAD



Not to scale.
Indicative only.

TENURE

The property is held freehold.

A small area to the south of the building has been sold to incorporate a sub-station.



Not to scale. For identification purposes only. This plan is based upon the Ordnance Survey Map with the sanction of the controller of H.M. Stationery Office. Crown Copyright reserved



TENANCY

In accordance with the summary below, Centenary House is let in its entirety to Kier Construction Ltd (Company No. 03099533) on full repairing and insuring terms for a term of 20 years expiring on 20th December 2037, thereby providing approximately 16.8 years unexpired.

The tenant's performance is guaranteed by Kier Ltd (Company No. 016111136).

The passing rent totals £676,725 per annum (£18.75 per sq ft overall) and is subject to annual RPI-linked uplifts (compounded and payable 5-yearly), collared and capped at 2.00% and 4.00% respectively.

The vendor will top-up the rent to £730,155 per annum (£20.23 per sq ft overall) based on the RPI index as at the notional rent review dates in September 2018, 2019 and 2020.

Further information and calculations are available upon request.

TENANT (GUARANTOR)	AREA (SQ FT)	START DATE	NEXT REVIEW	END DATE	RENT (PA)	RENT (PER SQ FT)	COMMENTS
Kier Construction Ltd (Kier Ltd)	36,092	21/12/2017	21/12/2022	20/12/2037	£730,155*	£20.23*	Subject to annual RPI-linked uplifts (compounded and payable 5-yearly), collared and capped at 2.00% and 4.00% respectively.

* Figures denote topped-up rent.

COVENANT

Kier Group Plc was founded in 1928 and is a global construction, services and property group active in building, civil engineering, support services and property / land development. These services cover a range of sectors including education, leisure & hospitality, private / public housing, industrials and transport.



TENANT - KIER CONSTRUCTION LTD

Kier Construction operates across the UK, constructing buildings including schools, colleges, hospitals, offices and amenity centres for both government bodies and the private sector. Education is the most significant sub-sector of the business (over 40% of 2019/2020 revenues) - the majority of contracts are delivered through framework agreements with the Education Skills Fund Agency, local authorities, universities and national framework providers including Scape and LHC. The company has recently been appointed on a number of major education schemes including:

- ▷ Livingstone, Bournemouth (Academy) - £28m
- ▷ Addington Valley, Croydon (Special Needs School) - £15m
- ▷ Barton Court Academy, Canterbury (Free School) - £21m
- ▷ Stantonbury International School, Milton Keynes - £18m

Other major appointments secured in 2020 include Heartlands Hospital (£97m) and the Bradford Markets regeneration (£15m). As at 30th June 2020, the company had an order book in excess of £2 billion.

GUARANTOR - KIER LTD

In addition to construction, Kier Ltd encompasses all areas of the business including Facilities Management, Highways, Utilities, Infrastructure, Property, Housing Maintenance and Environmental Services.

For the past three financial periods, Kier Ltd has reported the following financial performance.

For the past three financial periods, Kier Construction Ltd has reported the following financial performance:

KIER CONSTRUCTION LTD (CO NO: 02099533)	PERIOD ENDING (30/06/2020)	PERIOD ENDING (30/06/2019)	PERIOD ENDING (30/06/2018)
Revenue	£1.37 billion	£1.62 billion	£1.49 billion
Pre-Tax Profits	-£34.68 million	£18.37 million	£82.83 million
Net Assets	£65.20 million	£94.50 million	£130.32 million

The company is ascribed a 5A2 rating by Dun & Bradstreet, representing lower than average risk of business failure.

KIER LTD (CO NO: 01611136)	PERIOD ENDING (30/06/2020)	PERIOD ENDING (30/06/2019)*	PERIOD ENDING (30/06/2018)
Revenue	£23.60 million	£17.70 million	£4.19 billion
Pre-Tax Profits	-£137.70 million	-£61.40 million	£71.70 million
Net Assets	£147.20 million	£248.50 million	£235.40 million

* The accounts were restated during 2020 to remove consolidated group businesses.

The company is ascribed a 5A2 rating by Dun & Bradstreet, representing lower than average risk of business failure.

BASINGSTOKE OCCUPATIONAL MARKET OVERVIEW

Basingstoke is the M3 corridor's leading office centre, with a total stock of approximately 4.9 million sq ft. This compares against a combined office stock of 7.9 million sq ft across Camberley, Fleet, Hook and Farnborough that collectively make up the balance of the South East section of the M3 Corridor. The town is home to major employers including Sony, AXA Wealth, Fife, Sainsbury's, Barclays, Shire Pharmaceuticals, Eli Lilly, The AA, Lavazza, De La Rue, Motorola, Fujitsu and many more.

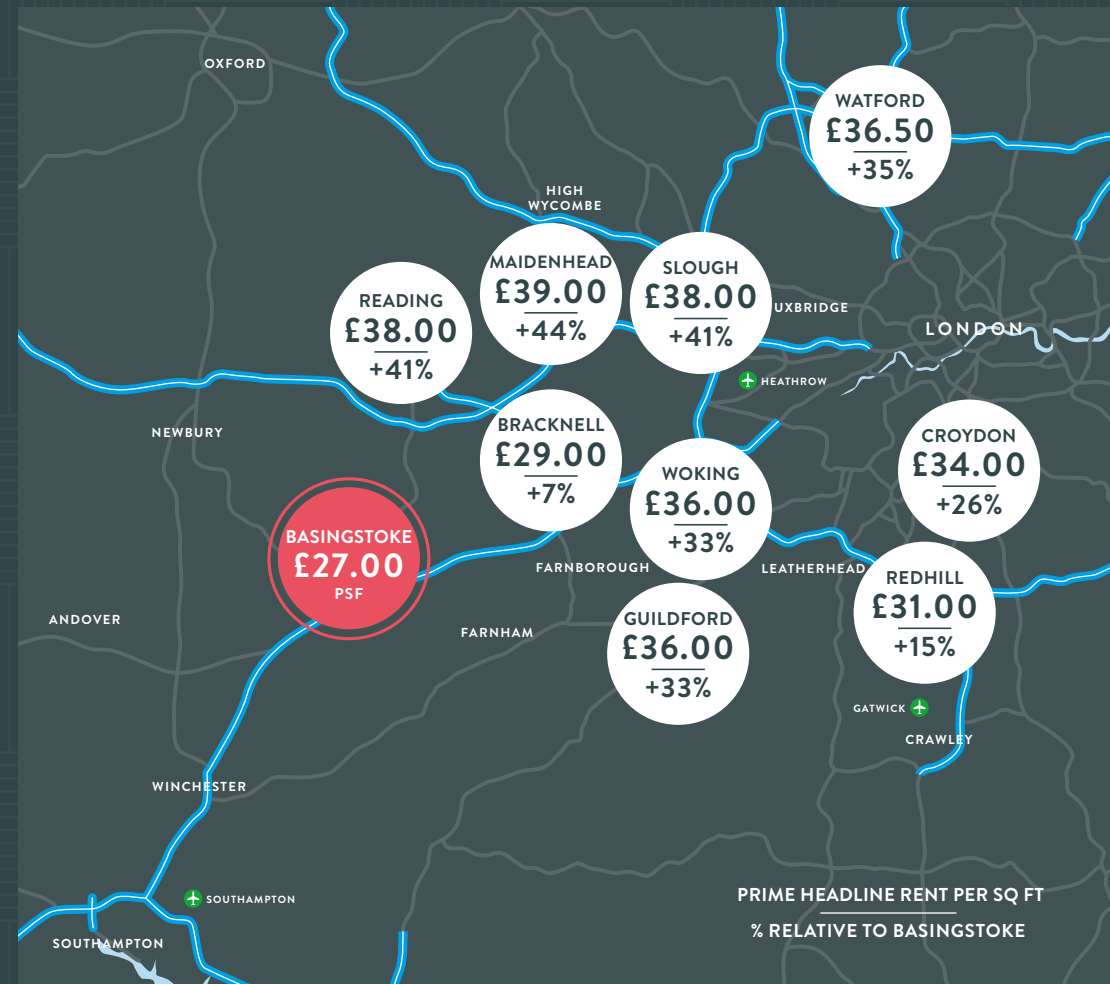
A significant quantum of Grade B office stock has been removed from the market by way of permitted development rights and, with very limited speculatively developed office accommodation, total landlord vacancy across both the in-town and out-of-town markets currently stands at 190,000 sq ft.

Availability comprises approximately 108,000 sq ft of Grade A and 82,000 sq ft of Grade B stock, representing a low rate of approximately 4.00%. This reflects very favourably against the South East average of c.8.00%.

Take-up totalled 260,000 sq ft and 305,000 sq ft in 2018 and 2019 respectively, however, activity during 2020 was subdued as a consequence of Covid-19 related headwinds, with only two lettings greater than 5,000 sq ft transacting:

DESCRIPTION	DATE	AREA (SQ FT)	LEASE TERM	HEADLINE RENT (PSF)	OCCUPIER
Part 1st & 4th Floors, Midpoint	March 2020	19,641	5 years (3 years TOB)	£21.50	Motorola
1st, 2nd & 3rd Floors, Matrix House	Feb 2020	16,875	10 years	£27.00	Penningtons Manches

Following the aforementioned letting to Pennington Manches at Matrix House, prime headline rents in Basingstoke currently stand at £27.00 per sq ft. This demonstrates a significant rental discount relative to most other key South East office centres as depicted below:



SOUTH EAST OFFICE INVESTMENT MARKET

As the Bank of England base rate has fallen to its lowest ever level, the stability of real estate yields have become increasingly attractive compared to many other asset classes. With real estate average lease lengths falling, demand is increasing across the South East office market for high-quality properties let on long leases. Relevant examples of office investments that have transacted are as follows:

DATE / STATUS	DESCRIPTION	TENANT	AREA (SQ FT)	TERM CERTAIN (YEARS)	PRICE	NIY	CAP VAL (£ PSF)
Nov-20	York & Wellington House, Feltham	Secretary of State for Communities and Local Government	38,176	12.2	£14.85m	4.73%	£389
Oct-20	Horizon, Epsom	NHS	22,126	10	£7.97m	5.21%	£360
Oct-20	Amadeus Building, Heathrow	Secretary of State for Communities and Local Government	31,695	15.8	£15.74m	4.05%	£497
Mar-20	Jubilee House, Brentwood	Regus (SPV)	41,162	15	£17m	5.79%	£413
Dec-19	Trafalgar House, Winchester	Skanska Ltd	16,000	9.5	£9.25m	4.95%	£578
Apr-19	22 Mount Ephraim, Tunbridge Wells	Cripps LLP	39,058	12.9	£14.50m	5.39%	£371
Jan-19	The Florence Building, Basingstoke	Sovereign Housing Association Ltd	59,460	20	c.£29m	c.4.25%	c.£472
Jun-16	2 Langstone Road, Loughton	Kier Construction Ltd	17,128	15	£6.50m	5.44%	£380



York & Wellington House, Feltham



22 Mount Ephraim, Tunbridge Wells



The Florence Building, Basingstoke

FURTHER INFORMATION

EPC

The property benefits from an EPC A(22) rating.

CAPITAL ALLOWANCES

Capital allowances are available.

VAT

The property is elected for VAT and will, therefore, be payable on the purchase price. It is, however, anticipated the transaction will be structured as a Transfer of a Going Concern.

DATA SITE

Access to a sales data site can be provided upon request.

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CONTACT



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