

GO-AHEAD HOUSE

26/28 ADDISCOMBE ROAD / CROYDON / CR9 5GA

GREATER LONDON
REDEVELOPMENT/
REPOSITIONING
OPPORTUNITY



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GO-AHEAD HOUSE HIGHLIGHTS

STRATEGIC LOCATION

175 metres from East Croydon station providing fast and frequent rail services to Central London and Gatwick Airport.

EXCEPTIONAL MARKET DYNAMICS

Low occupational costs relative to competing Greater London centres.

OPTIMUM LEASING FLEXIBILITY

Flexible, efficient floor plates meaning the building can be let as a whole, wing by wing or as smaller self-contained suites.

ASSET MANAGEMENT OPPORTUNITIES

Opportunity to fully reposition the building by refurbishing and re-letting and setting a new headline rental tone.

SUPPORTIVE PLANNING FRAMEWORK

Croydon is a pro-development Borough with a forward thinking planning framework which would benefit Go-Ahead House.

EXCEPTIONAL DEVELOPMENT POTENTIAL

Go-Ahead House has received positive pre-application feedback from Croydon Council for a substantial mixed-use scheme up to circa 20 storeys.



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INVESTMENT SUMMARY

- Go-Ahead House offers a rare opportunity to **redevelop or reposition a prominent office building in East Croydon**, a pro-development Council and London's biggest growth centre.
- Strategically located **175 metres from East Croydon station** in the heart of Croydon's commercial business district with regular rail services connecting Croydon to the City and the West End.
- Croydon's **excellent transport links**, two mainline train stations and a rapidly growing professional employment base have made it a **highly attractive business location** favoured by many multi-national occupiers.
- 0.31 acre site comprising 20,876 sq ft of office accommodation over **basement, ground and five upper floors**.
- 17 surface level car parking spaces.
- **Single let to The Go-Ahead Group Plc** on a 20 year lease expiring 18 May 2023 with a break option as detailed in the Tenancy section.
- Passing rent of £415,000 per annum equating to a **low overall rent of £19.88 psf**.
- Prime headline rents in Croydon stand at £34.00 psf. At £19.88 psf, Go-Ahead House provides a low base for **future rental growth**.
- The property is held **freehold**.
- Go-Ahead House has received **positive pre-application feedback** from Croydon Council for a substantial mixed-use scheme up to circa 20 storeys with a number of uses supported in principle including residential and commercial.
- Offers are invited, subject to contract and exclusive of VAT, for our client's freehold interest.

GREATER LONDON
REDEVELOPMENT/REPOSITIONING OPPORTUNITY



THE CROYDON STORY

CROYDON IS LONDON'S BIGGEST GROWTH CENTRE

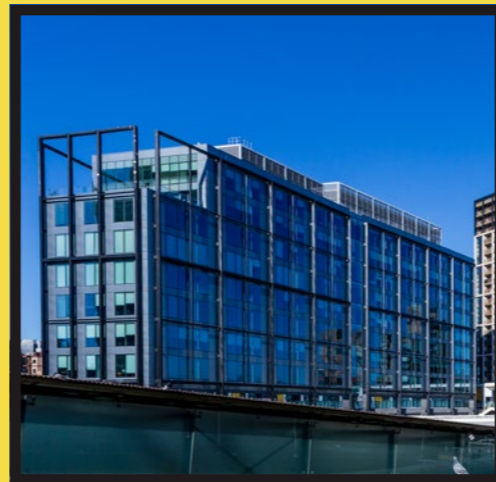


NO.1 – THE LARGEST LONDON BOROUGH BY POPULATION

41% TECH SECTOR GROWTH OVER THE LAST 5 YEARS, HIGHER THAN THE MAJORITY OF NEIGHBOURING/COMPETING GREATER LONDON BOROUGH



£5.25BN INVESTMENT PROGRAMME



1.1M ECONOMICALLY ACTIVE INDIVIDUALS WITHIN A 30 MINUTE COMMUTE

80% ECONOMIC ACTIVITY RATE FOR PERSONS AGED 16-64



ONGOING PUBLIC SECTOR INVESTMENT PROGRAMME TOTALLING £50M TO CREATE 28 NEW PUBLIC SQUARES & PIAZZA



£1.4BN REDEVELOPMENT OF THE WHITGIFT AND CENTRALE SHOPPING CENTRES



BOXPARK IS ONE OF THE MOST ICONIC LANDMARKS OF THE NEW, REGENERATED TOWN CENTRE WITH 38 BARS AND RESTAURANTS AS WELL AS A 2,000 CAPACITY EVENT SPACE

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A CHANGING SCENE



ONE LANSDOWNE

£500m mixed use development by Guildhouse Rosepride

PC: To be confirmed

Development: Two towers of 68 and 41 storeys respectively, linked by an 11-storey podium structure. The development will feature 794 apartments and 330,000 sq ft of Grade A office space.

Use: Mixed-use



RUSKIN SQUARE

1.25m sq ft mixed use development adjacent to East Croydon station

PC: Building 1 reached PC in 2017 and Building 2 is due to PC in 2023. Seeking pre-lets on Buildings 3 and 4.

Development: 1.25m sq ft of Grade A office space, 625 residential units, 100,000 sq ft of retail, restaurant and leisure.

Use: Mixed-use



MORELLO QUARTER PHASE II

2nd phase of the £350m regeneration of the Morello Estate

PC: Awaiting planning

Development: Phase II will deliver a further 445 new homes, as well as a new entrance to East Croydon station.

Use: Residential



30-38 ADDISCOMBE ROAD

L&Q scheme adjacent to Go-Ahead House

PC: Q1 2023

Development: 18 storey building under construction providing 137 residential units.

Use: Residential



ADDISCOMBE GROVE

Pocket Living scheme adjacent to Go-Ahead House

PC: Q2 2021

Development: 21 storey building under construction providing 112 residential units.

Use: Residential



QUEENS SQUARE PHASE I

Redevelopment of Nestle Tower

PC: Q2 2021

Development: 28 storey building under construction providing 290 residential units.

Use: Residential



21
TOWN CENTRE
DEVELOPMENT SCHEMES

1M
SQ FT OF NEW GRADE A
COMMERCIAL SPACE

7
NEW
HOTELS

10,760
NEW
HOMES

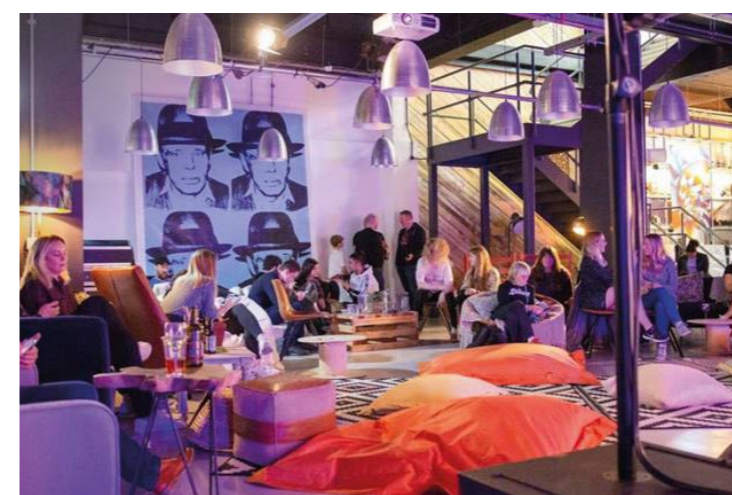
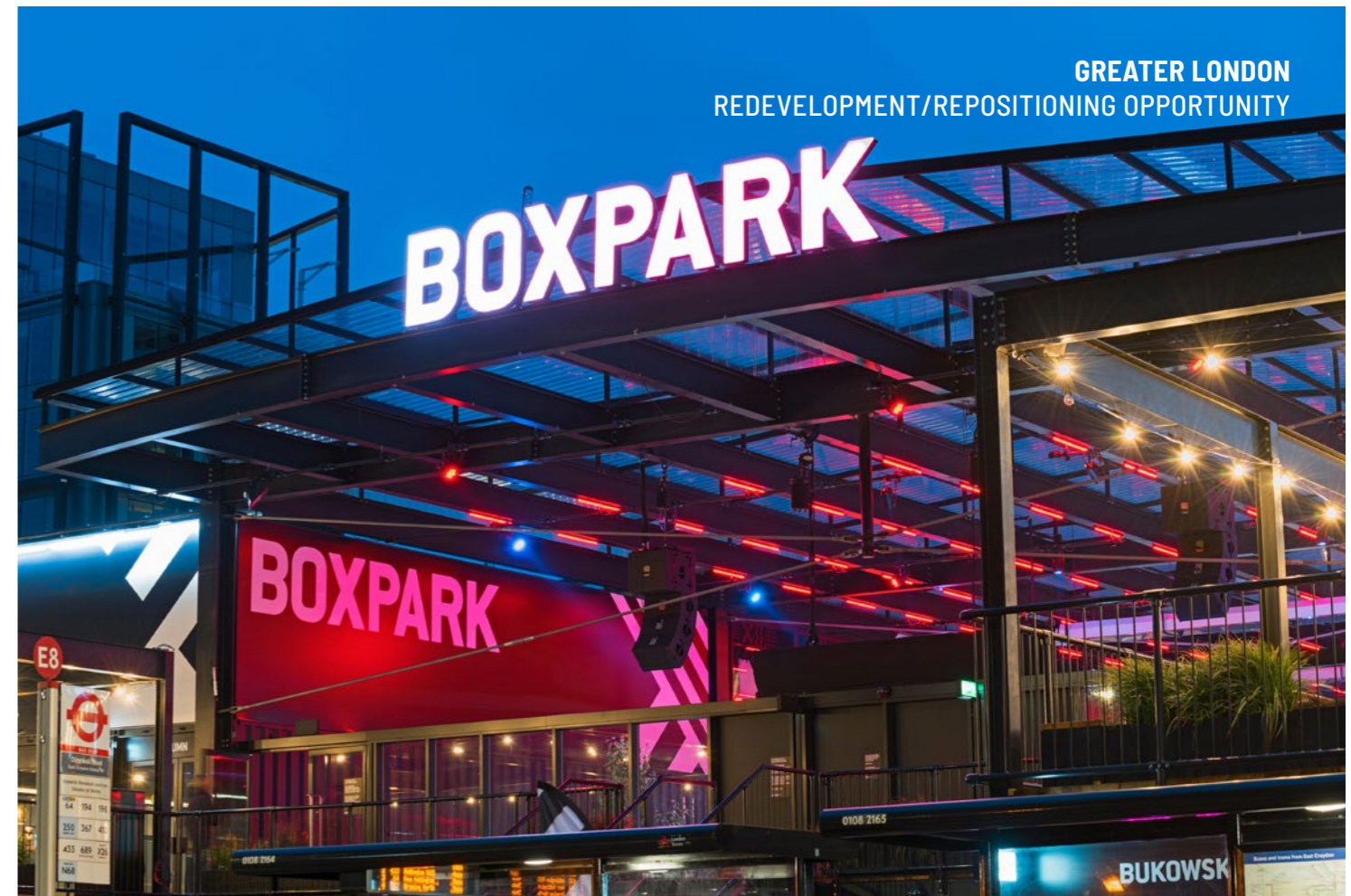
2M SQ FT
NEW RETAIL/
LEISURE SPACE

28
NEW PUBLIC SQUARE
AND PUBLIC REALMS

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UNRIVALLED CONNECTIVITY

RAIL



London Bridge	14 mins
Gatwick Airport	15 mins
London Victoria	16 mins
Brighton	49 mins

TRAM

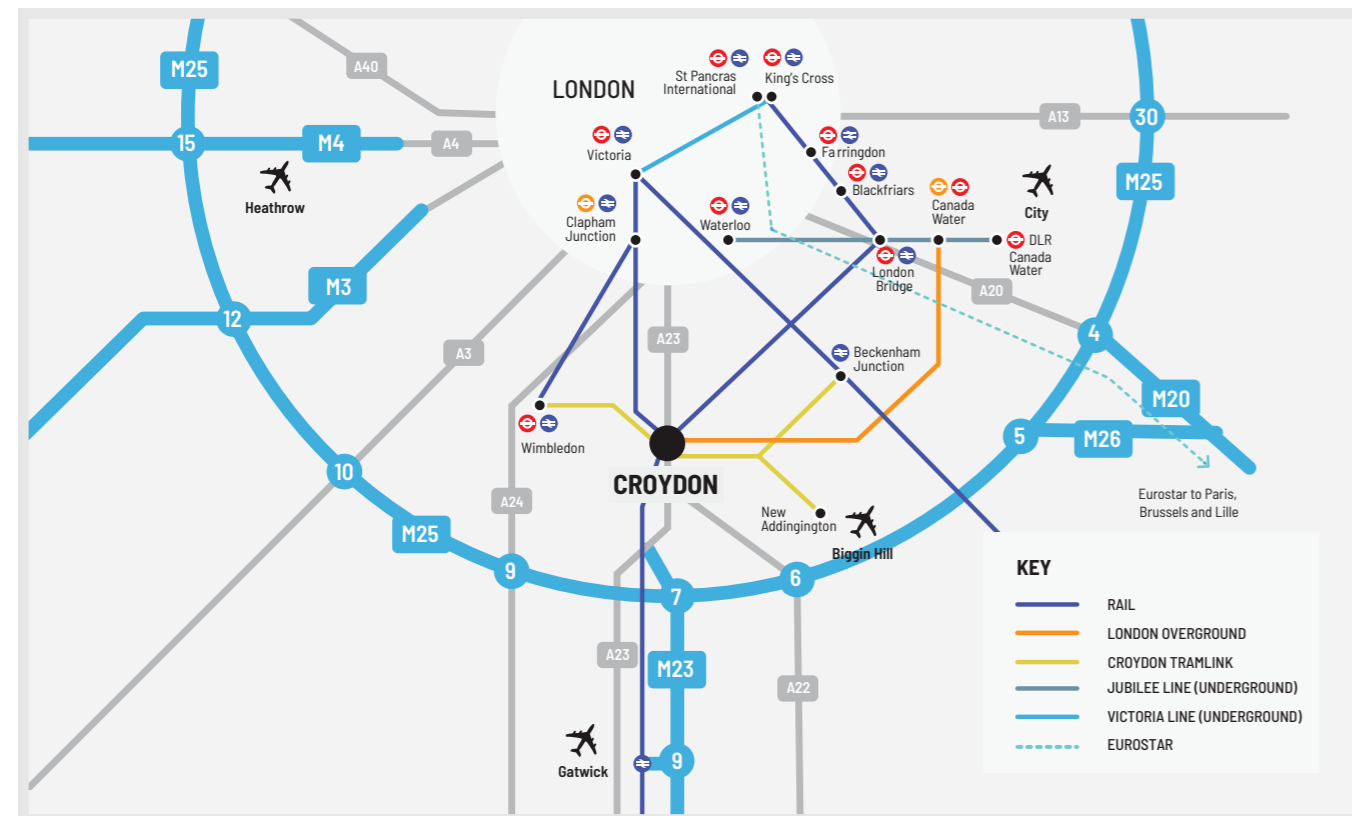


The tramlink provides an important east/west link with services from Beckenham to Wimbledon and is used by 22m passengers a year.

ROAD



M25	10 miles
Central London	12 miles
Gatwick Airport	18 miles
Heathrow Airport	23 miles



EAST CROYDON STATION REDEVELOPMENT

East Croydon station will be subject to an extensive redevelopment in 2022 and will include the following key upgrades:

- The number of platforms will be increased from six to eight providing significant station and interchange improvements.
- Three additional railway tracks will be constructed between East Croydon station and Selhurst triangle providing major improvements in punctuality between London Gatwick Airport and the Sussex Coast.
- Lower Addiscombe Road / Windmill Bridge will be rebuilt to make space for additional tracks, with associated changes to the surrounding road network.
- Remodelling track layouts and railway junctions providing faster and more reliable journey times.

GATWICK AIRPORT EXPANSION

Gatwick Airport is undergoing a £150m infrastructure upgrade which will include a £47m improvement to its transport network. This will further enhance connectivity to Gatwick Airport and promote Croydon as a global business destination.

23.3M PASSENGERS PASS THROUGH EAST CROYDON STATION EACH YEAR

EAST CROYDON IS THE UK'S BUSIEST STATION OUTSIDE OF CENTRAL LONDON

22M PASSENGERS USE THE TRAM SERVICE EACH YEAR



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DESCRIPTION

Go-Ahead House comprises a prominent office building fronting Addiscombe Road with additional access via Addiscombe Grove.

The building is arranged as two wings offering the ability to be let as a whole, wing by wing or as smaller self-contained suites thereby providing optimum leasing flexibility.

Substantially refurbished in 2003, the property provides modern office accommodation arranged over basement, ground and five upper floors totalling 20,876 sq ft.

The property benefits from 17 surface level car parking spaces situated to the front and rear of the building.

SPECIFICATION



VAV AIR CONDITIONING



UPVC DOUBLE GLAZED WINDOWS



PERIMETER TRUNKING



9 PERSON PASSENGER LIFT



SUSPENDED CEILING WITH CAT 2 LIGHTING



MALE AND FEMALE WCS ON EACH FLOOR

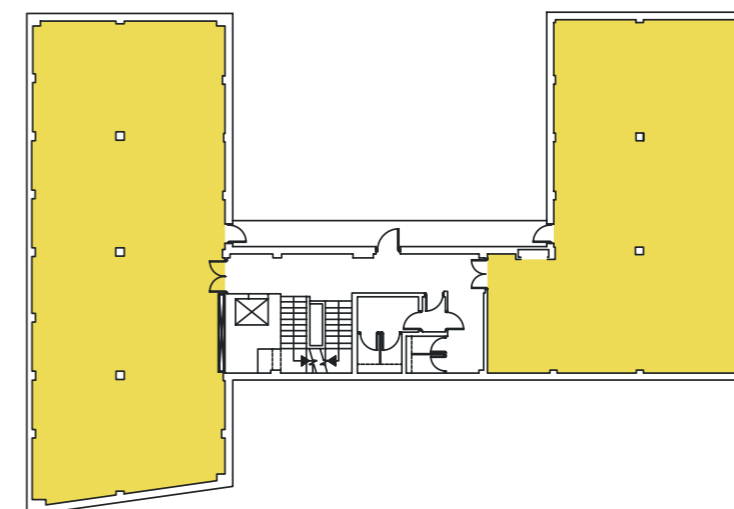


17 SURFACE LEVEL CAR PARKING SPACES

ACCOMMODATION

The property has been measured by Pure Real Estate in accordance with the RICS Code of Measuring Practice (6th Edition) and provides the following net internal areas:

FLOOR	USE	SQ M	SQ FT
Basement	Storage	29.3	316
Ground	Reception	33.9	365
Ground	Office	311.0	3,349
First Floor	Office	357.2	3,845
Second Floor	Office	360.0	3,876
Third Floor	Office	360.4	3,880
Fourth Floor	Office	352.7	3,796
Fifth Floor	Office	134.6	1,449
TOTAL		1,939.4	20,876



TYPICAL FLOOR PLAN

SECOND FLOOR

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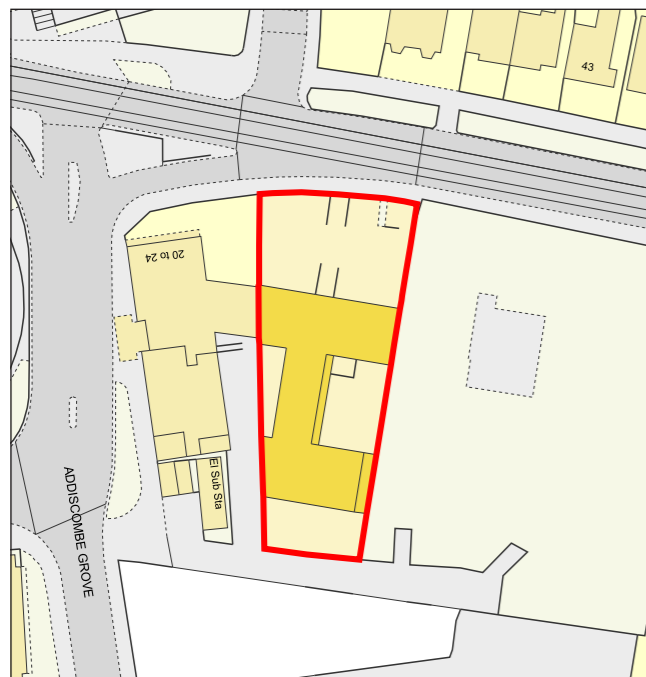
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SITE

The site is accessed directly from Addiscombe Road and extends to 0.31 acres (0.12 hectares).



TENURE

The property is held freehold.

TENANCY

The property is let in its entirety to The Go-Ahead Group Plc, guaranteed by Southern Railway Ltd, on a full repairing and insuring lease for a term of 20 years commencing 19 May 2003 and expiring 18 May 2023.

There is a tenant only break option exercisable on 6 months' prior written notice linked directly to the expiry of the Thameslink, Southern and Great Northern rail franchise (Franchise Agreement). The Franchise Agreement ran for 7 years from 19 September 2014 expiring 19 September 2021 with a potential two year extension to 19 September 2023. Due to COVID, it is understood that the Franchise Agreement may be extended which would mean the Break Date would also be extended.

The passing rent is £415,000 per annum which equates to a low overall rent of £19.88 psf.

COVENANT



THE GO-AHEAD GROUP PLC (TENANT)

The Go-Ahead Group is one of the UK's leading public transport companies with operations in the UK, Ireland, Singapore, Norway and Germany and is listed on the London Stock Exchange.

Founded in 1987, The Go-Ahead Group has 28,000 employees worldwide. The Group is currently the largest operator of bus services in London and their rail operation is the busiest in the UK, responsible for over 30% of all train passenger journeys.

The Go-Ahead Group Plc has a Dun & Bradstreet score of 5A1 which represents a minimum risk of business failure.

Summarised below are their latest accounts:

	27 June 2020	29 June 2019	30 June 2018
Sales Turnover	£3,898,400,000	£3,807,100,000	£3,461,500,000
Profit Before Taxes	(£200,000)	£97,000,000	£145,700,000
Tangible Net Worth	£151,200,000	£210,300,000	£197,400,000
Net Current Assets	(£428,100,000)	£101,300,000	£74,400,000



SOUTHERN RAILWAY LTD (GUARANTOR)

Southern Railway Ltd is a wholly owned subsidiary of Govia Ltd which operates the Gatwick Express, Great Northern and Thameslink services. Govia is a partnership between The Go-Ahead Group and Keolis.

Summarised below are their latest accounts:

	29 June 2019	30 June 2018	1 July 2017
Sales Turnover	£0	£1,180,000	-
Profit Before Taxes	£834,000	£233,000	£4,020,000
Tangible Net Worth	£11,993,000	£12,318,000	£14,129,000
Net Current Assets	£12,370,000	£12,912,000	£14,718,000

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PLANNING POLICY

THE CROYDON OPPORTUNITY AREA PLANNING FRAMEWORK (OAPF)

- The Croydon Opportunity Area planning framework (OAPF) provides guidance for the planning, design and regeneration of Croydon's metropolitan centre over the next 20 years.
- The main objectives of the OAPF are to support the development of 10,760 homes, plan the delivery of the social infrastructure necessary to accommodate 17,000 new residents and encourage the location of new office/commercial space around the New Town and East Croydon station.

GO-AHEAD HOUSE

- Go-Ahead House is located within the Croydon Opportunity Area and Croydon Metropolitan Town Centre which is the primary location for growth in the Borough, especially residential.
- The Mayor of London supports residential and commercial growth within Opportunity Areas and specifically supports optimisation of development densities.
- Croydon Council has made an Article 4 Direction covering the Croydon Opportunity Area which includes Go-Ahead House.

POSSIBLE USES

CO-LIVING

- Draft New London Plan 2021 H16 details the criteria for co-living developments and makes it clear they have a role in meeting London's housing need.

BUILD TO SELL (BTS)

- There have been Build to Sell precedent consents at One Lansdowne Road and Mondial House.
- The Mayor's Affordable Housing and Viability Supplementary Planning Guidance (SPG) introduces a 'threshold' approach whereby schemes offering 35% affordable housing without grant can follow a 'fast track' route.

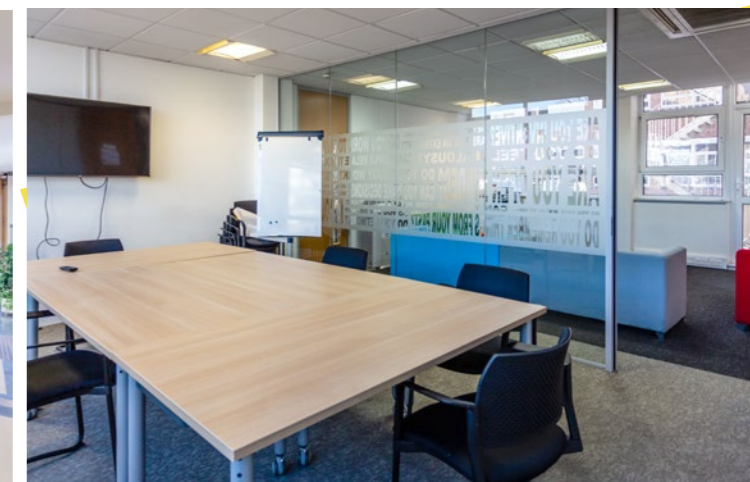
BUILD TO RENT (BTR)

- Croydon Council has approved Build to Rent schemes within the Opportunity Area including Ten Degrees and Taberner House. The area surrounding East Croydon station is popular with the rental market.

OFFICE

- Policy SP3.13 of the Croydon Local Plan supports the development of new and refurbished office floorspace in Croydon Metropolitan Centre, particularly around East Croydon station.

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PRE-APPLICATION SCHEME

The site has a positive planning policy context. It is located within the Croydon Opportunity Area and Croydon Metropolitan Town Centre which is the primary location for growth in the Borough, especially residential. The Mayor of London supports residential and commercial growth within Opportunity Areas, and specifically supports optimisation of development densities.

Croydon's adopted policy promotes a flexible approach to B1 uses, retail, leisure, visitor accommodation, housing and community facilities within the Opportunity Area.

The latest pre-application scheme by MICA Architects comprises the demolition of the existing building and the erection of a 7-21 storey building comprising 2,506 sq m GIA of office space on ground to third floor and 66 residential units on the upper floors.

The scheme received positive pre-application feedback from Croydon Council including:

- Support for the principle of redevelopment.
- Support for a residential-led development, alongside the need to include some replacement office space.
- Support in principle to accommodating a tall building (circa 20 storeys).

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OCCUPATIONAL MARKET



Croydon is an established Greater London office market with a total office stock of 5.7m sq ft.



Croydon's rapidly growing professional employment base has made it a highly attractive business location favoured by many multi-national occupiers including Allianz, AIG, Aecom and Mott MacDonald.



2019 saw reduced levels of take up in Croydon. The low take up is considered to be a function of the lack of available quality supply rather than occupiers deferring to competing centres.



In 2020, Croydon saw healthy levels of demand with take up totalling over 400,000 sq ft, an increase of 60% on the ten year average.



In recent years, the Croydon office market has seen a loss of office stock under permitted development rights (PDR) and a dearth of available Grade A supply. With Renaissance fully let and only 11,000 sq ft available at Interchange, the Grade A vacancy rate in Croydon town centre stands at sub 1%.



Prime headline rents in Croydon have experienced 39% growth since 2015, now standing at £34.00 psf. With Phase II at Ruskin Square pre-let to HMRC, there is now no available office space under construction across the Croydon market and with no speculative development planned, a shortage of supply and good levels of demand, continued rental growth in Croydon is expected over the short to medium term.



Go-Ahead House has a low average passing rent of £19.88 psf such that the property offers significant future reversionary potential.

INVESTMENT MARKET

The 2020 South East office investment market was characterised by demand for prime, long term income and quality value-add assets in key growth locations like Croydon.

The market has also witnessed increased investor appetite for shorter unexpired term assets in established markets where there is an accretive asset management play and/or refurbishment angles such as Go-Ahead House.

DATE	ADDRESS	SIZE (SQ FT)	TENANT	WARRANT (YEARS)	PRICE	CV PSF
U/O	Eton House, Richmond	32,774	Multi-let	0.7	Q:£15.00m	Q:£458
Nov-20	Carlson Court, Putney	45,613	Vacant	-	£23.00m	£504
Nov-20	Anne Boleyn House, Cheam	16,483	Flair Leisure Product Plc	1.0	£5.70m	£346
Jan-20	Crown House, Brighton	58,483	The First Secretary of State	1.4	£15.00m	£256
Dec-19	Drapers Court, Kingston	32,747	Multi-let	0.5	£8.25m	£252
Nov-19	10 Bricket Road, St Albans	26,436	Vacant	-	£9.05m	£342
Sep-19	Allport House, Uxbridge	15,881	Allport Cargo Services Ltd	0.5	£4.36m	£275

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ASSET MANAGEMENT OPPORTUNITIES

Go-Ahead House provides a number of genuine asset management opportunities to create additional value and drive investment performance:



Capitalise on the rising rental tone in Croydon which is at a marked discount to neighbouring Greater London boroughs.



Immediate opportunity to increase the fifth floor net lettable area by building out the east wing and adding a further circa 2,000 sq ft (subject to planning).



Opportunity to gain vacant possession in 2023 and potentially sooner to fully reposition the building by refurbishing and re-letting and setting a new headline rental tone.



Potential to add further amenity in the courtyard and shower/cycling facilities in the basement further improving the building's occupier offering.



Opportunity to build out the floor plates over the courtyard (subject to planning) creating additional net lettable area.



Explore a lease re-gear with the Go-Ahead Group thereby improving the WAULT and capitalise on the rental uplift opportunity.

INVESTMENT RATIONALE



Go-Ahead House offers a rare opportunity to redevelop or reposition a prominent office building in East Croydon, London's biggest growth centre.



Flexible, efficient floor plates meaning the building can be let as a whole, wing by wing or as smaller self-contained suites.



Go-Ahead House is located less than a 5 minute walk from East Croydon station which will act as a catalyst for continued regeneration of the surrounding area.



Croydon is a pro-development Borough with a forward thinking planning framework.



Prime headline rents in Croydon are currently £34.00 psf with 39% rental growth since 2015.



Go-Ahead House is located within the Croydon Opportunity Area and Croydon Metropolitan Town Centre which is the primary location for growth in the Borough.



Go-Ahead House is let at a 41% discount to prime headline rents in Croydon.



Go-Ahead House received positive pre-application feedback from Croydon Council supporting residential and/or commercial redevelopment and accommodating a tall building of circa 20 storeys.

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ADDITIONAL INFORMATION

EPC

Go-Ahead House has an EPC rating of D (92).

A copy of the EPC and recommendation report can be found in the data room.

CAPITAL ALLOWANCES

There are no unclaimed Capital Allowances available to the purchaser.

VAT

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

AML

In accordance with Anti-Money Laundering (AML) Regulations, the purchaser will be required to satisfy the vendor on the source of the funds used to complete the transaction.

DATA ROOM

The following information can be downloaded from the data room:

- Marketing brochure
- Occupational lease
- Title information
- Measured survey undertaken by Pure Real Estate Services
- Covenant information
- EPC certificate and recommendation report
- Pre-application scheme information pack

Access to the data room is available on request.

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PROPOSAL

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