45 CLARENDON ROAD
WATFORD WD17 1SZ
Prime Multi Let South East Office Investment Opportunity
Investment Summary

- Prime multi let south east town centre office opportunity
- Core location in close proximity to Watford train station and The Harlequin shopping centre
- Freehold building built in 2001
- The property provides 23,655 sq ft (2,197.50 sq m) of accommodation and includes secure surface and undercroft car parking with an excellent town centre ratio of 1:364 per sq ft
- Total rent of £457,360 per annum which equates to an average passing rent of only £20.11 per sq ft providing an excellent platform for rental growth
- Well let to two established tenants; UK Insurance Limited and Money, Debt & Credit Limited providing an average weighted unexpired term certain of 8.4 years to expiries and over 5.5 years to tenant break events
- We are seeking offers in excess of £5,240,000 (Five Million Two Hundred and Forty Thousand Pounds) subject to contract for the benefit of the freehold interest which provides a net initial yield of 8.25% after allowing for purchasers costs at 5.8%

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Location

Watford is the principal town of Hertfordshire and a substantial administrative centre. The town is located approximately 32 km (20 miles) to the north west of Central London and 14 km (9 miles) south of St Albans.

Watford has excellent road communications being situated close to junctions 18, 19 and 20 of the M25 motorway. Junction 5 of the M1 motorway lies 3 km (2 miles) to the north providing direct access to the M25 motorway. Watford is very well located for both Heathrow and Luton Airports lying 37km (23 miles) to the south and 29km (18 miles) to the north respectively.

The town benefits from excellent rail and underground links. The regular train service to London Euston provides a fastest journey time of 16 minutes and the Metropolitan line provides a direct link to underground stations including Kings Cross, Baker Street, Liverpool Street and Wembley.

Watford has a district population of approximately 80,000 persons with a population of approximately 480,000 persons within 10 km (6 miles) of the town centre.

Situation

The property is situated on the western side of Clarendon Road the prime office pitch in the town, which connects Watford Junction train station and the Town Centre.

Due to its proximity to the Station and the Town Centre, Clarendon Road is the focus for a number of high profile occupiers including KPMG, TK Maxx, Clydesdale Bank, British Telecom, Total and Cadbury Schweppes.
45 Clarendon Road, Watford

Watford Junction Rail Station
Clarendon Road
Watford Community Housing Trust
Proposed Hotel
KPMG
TK Maxx
Baker Tilly
NHS Professionals Scottish Equitable Corona Energy
Beechen Grove (A411)
Sainsbury's
Total
Jury's Inn Hotel
ACI
EPSIIA
Baker Tilly
Inland Revenue

To M25
Beechen Grove (A411)

Corona Energy
Scottish Equitable
NHS Professionals
TK Maxx
Baker Tilly

45 Clarendon Road

KPMG

Proposed Hotel

Watford Community Housing Trust

Inland Revenue

Sainsbury's

Harlequin Shopping Centre
Description

The property comprises a modern self-contained multi-let office building, totaling approximately 2,197.5 sq m (23,655 sq ft) of open plan office accommodation, arranged over ground and four upper floors. The building was constructed in 2001 and is of steel and concrete frame construction with a combination of stone and glazed elevations beneath a flat roof.

Internally the office accommodation is arranged in a T-shape configuration and benefits from the following Grade A specification:

- Feature marble and stone floored entrance with manned reception
- Four pipe fan coil air-conditioning
- Fully accessible raised floors
- Two 10-person (800 kg) passenger lifts serving all floors
- Combination of male, female and either a disabled WC or shower facility on each floor

There are 65 car parking spaces situated at surface level and beneath the building as undercroft parking, providing an excellent town centre ratio of 1:364 sq ft.

The vendor is undertaking approximately £50,000 of improvement works on various items including the air conditioning system, lifts and roofs. This commitment should mitigate the requirement for any significant capital expenditure in the short to medium term. These works have been tendered and details of these up-grades can be provided upon request.
Accommodation

The property has been measured in accordance with the RICS Code of Measuring Practice (Sixth Edition) and provides the following net internal areas:

<table>
<thead>
<tr>
<th>Floor</th>
<th>Use</th>
<th>Area (sq ft)</th>
<th>Area (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground</td>
<td>Reception</td>
<td>915</td>
<td>85.00</td>
</tr>
<tr>
<td>First</td>
<td>Offices</td>
<td>6,618</td>
<td>614.80</td>
</tr>
<tr>
<td>Second</td>
<td>Offices</td>
<td>6,627</td>
<td>615.63</td>
</tr>
<tr>
<td>Third</td>
<td>Offices</td>
<td>6,165</td>
<td>572.72</td>
</tr>
<tr>
<td>Fourth</td>
<td>Offices</td>
<td>3,330</td>
<td>309.35</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>23,655</td>
<td>2,197.50</td>
</tr>
</tbody>
</table>

The site is level and extends to 2,120.71 sq m/0.52 acres.
Tenancies

Two new leases have recently been agreed with existing occupiers of the property providing a total income of £457,360 per annum equating to a modest overall rent of £20.11 per sq ft and benefiting from an average weighted unexpired term to expiry in excess of 8.4 years.

<table>
<thead>
<tr>
<th>Demise</th>
<th>Tenant</th>
<th>Term</th>
<th>Lease Start</th>
<th>Expiry Date (Break)</th>
<th>Rent Review</th>
<th>Current Rent (pa)</th>
<th>Rent (per sq ft)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Floor</td>
<td>UK Insurance limited</td>
<td>5</td>
<td>04.05.2012</td>
<td>03.05.2017</td>
<td>-</td>
<td>£136,000</td>
<td>£20.55</td>
<td></td>
</tr>
<tr>
<td>2nd - 4th Floors</td>
<td>Money Debt &amp; Credit Limited</td>
<td>10</td>
<td>07.05.2012</td>
<td>06.05.2022</td>
<td>07.05.2017</td>
<td>£321,360</td>
<td>£19.93</td>
<td>Break option subject to 9 months notice. £321,360 rent deposit held.</td>
</tr>
</tbody>
</table>

**Total**

£457,360

£20.11

The service charge budget for the part year ending 24 March 2013 is £188,337 per annum equating to £7.96 per sq ft a copy of which can be made available upon request.
Covenant

The property benefits from good security of income, with the latest filed accounts for each tenant summarised as follows:

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Passing rent as % of Total Income</th>
<th>Year To</th>
<th>Turnover £ 000's</th>
<th>Pre-Tax Profit (loss) £ 000's</th>
<th>Net Worth £ 000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Debt &amp; Credit Limited</td>
<td>70%</td>
<td>31.12.2010</td>
<td>6,133</td>
<td>1,040</td>
<td>(7,486)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31.12.2009</td>
<td>4,426</td>
<td>585</td>
<td>(6,335)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31.12.2008</td>
<td>4,337</td>
<td>(738)</td>
<td>(6,920)</td>
</tr>
<tr>
<td>UK Insurance Limited</td>
<td>30%</td>
<td>31.12.2010</td>
<td>540,700</td>
<td>(9,300)</td>
<td>776,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31.12.2009</td>
<td>572,600</td>
<td>46,700</td>
<td>765,700</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31.12.2008</td>
<td>1,403,600</td>
<td>178,700</td>
<td>714,700</td>
</tr>
</tbody>
</table>

Money Debt & Credit Limited (Co. No. 05588842) was set up in 2006 to provide debt management services through the provision of financial advice and appropriate solutions to individuals experiencing debt problems. The business operates in a tightly regulated sector and as their critical mass has grown, their profitability has also increased.

The founder, Chairman and principle shareholder of Money Debt & Credit is Simon Johnson. Before setting up MD&C he was the founder and majority shareholder of Data Locator, a company specialising in the acquisition and supply of lifestyle data to the direct marketing sector. Under his management Data Locator delivered rapid and profitable growth and was ranked 15th in the 2004 Sunday Times Fast Track 100.

Money Debt & Credit have been in occupation of the property since incorporation and a rent deposit of £321,360 is held against the lease. Further information on the tenants activities can be found at their website www.moneydebtandcredit.com

UK Insurance Limited (Co. No. 01179980), previously The National Insurance and Guarantee Corporation Limited have been in occupation of the property since 2002.

UK Insurance Limited operates within RBS Insurance, which is a division of the Royal Bank of Scotland Group. RBS Insurance is the second largest general insurance provider and the largest personal insurer by gross written premiums in the UK. In December 2011, the household names of Direct Line and Churchill had their business and liabilities transferred to UK Insurance Ltd. Both of whom had been regulated by the FSA since December 2001 to perform a number of regulated activities, including carrying out contracts of insurance.
Rental Commentary

Watford is the dominant major centre within the north M25 office market. Excellent communication links and particularly the fast access to London Euston along with a large affluent and skilled workforce has attracted a number of Blue Chip occupiers to the town.

Watford has an office stock of circa 4.3 million sq ft which is primarily 1980’s and 1990’s in age and style although in contrast to competing centres the town witnessed a small development boom between 1999 and 2001, amounting to approximately 20% of the existing built stock. At there peak, Clarendon Road rents reached £27.00 per sq ft.

Current town centre availability stands at 262,167 sq ft or 6% compared to an estimated overall south east office vacancy rate of 17%. Of this availability only 55,232 sq ft can be considered of Grade A quality.

Based on recent activity and the historic rental peak on Clarendon Road; which remains an attractive location for occupiers, we are of the opinion that the recently re-based rental level of the subject property provides an excellent platform for growth. The IPD UK Property Model base forecast for February 2012 anticipates rental growth for south east offices, this equates to an average of 2.7% per annum from 2012 to 2016.

Investment Commentary

To date 2012 has witnessed a considerable focus on prime multi let town centre office buildings, providing medium term income security supported by strong occupational markets in the principle recognised business centres of the south east.

Investment opportunities of this nature are in short supply, highlighted by the limited number of recent notable transactions below:

<table>
<thead>
<tr>
<th>Address</th>
<th>Date</th>
<th>Price</th>
<th>Yield</th>
<th>Purchaser</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 Woodbridge Road, Guildford</td>
<td>January 2012</td>
<td>£12m</td>
<td>c. 6.25%</td>
<td>Mayfair Capital</td>
<td>AWULT - 6.3 years</td>
</tr>
<tr>
<td>Hays House, Guildford</td>
<td>February 2012</td>
<td>£4.5m</td>
<td>7.15%</td>
<td>Protego</td>
<td>AWULT - 3.5 years</td>
</tr>
<tr>
<td>Forbury Square, Reading</td>
<td>May 2012</td>
<td>£11.53m</td>
<td>6.91%</td>
<td>Canada Life</td>
<td>AWULT - 7 years</td>
</tr>
</tbody>
</table>

VAT

We understand the property is elected for VAT.

Proposal

We are seeking offers in excess of £5,240,000 (Five Million Two Hundred and Forty Thousand Pounds) subject to contract for the benefit of the freehold interest which provides a net initial yield of 8.25% after allowing for purchasers costs at 5.8%.
Further Information

For further information or to arrange a viewing please contact the sole agents.

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Lambert Smith Hampton: May 2012

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This certificate shows the energy rating of this building. It indicates the energy efficiency of the building fabric and the heating, ventilation, cooling and lighting systems. The rating is compared to two benchmarks for this type of building: one appropriate for new buildings and one appropriate for existing buildings. There is more advice on how to interpret this information on the Government’s website www.communities.gov.uk/epbd.

**Energy Performance Asset Rating**

More energy efficient

- **A+**: 0-25
- **A**: 26-50
- **B**: 51-75
- **C**: 76-100
- **D**: 101-125
- **E**: 126-150
- **F**: Over 150

Less energy efficient

This is how energy efficient the building is.

**Technical information**

- Main heating fuel: Natural Gas
- Building environment: Mixed-mode with Natural Ventilation
- Total useful floor area (m²): 2815
- Building complexity (NOS level): 4

**Benchmarks**

Buildings similar to this one could have ratings as follows:

- **95** If newly built
- **108** If typical of the existing stock