KINGS CROSS

GRAY'S INN ROAD

107 GRAY'S INN ROAD

GRAY'S INN ROAD

FARRINGDON

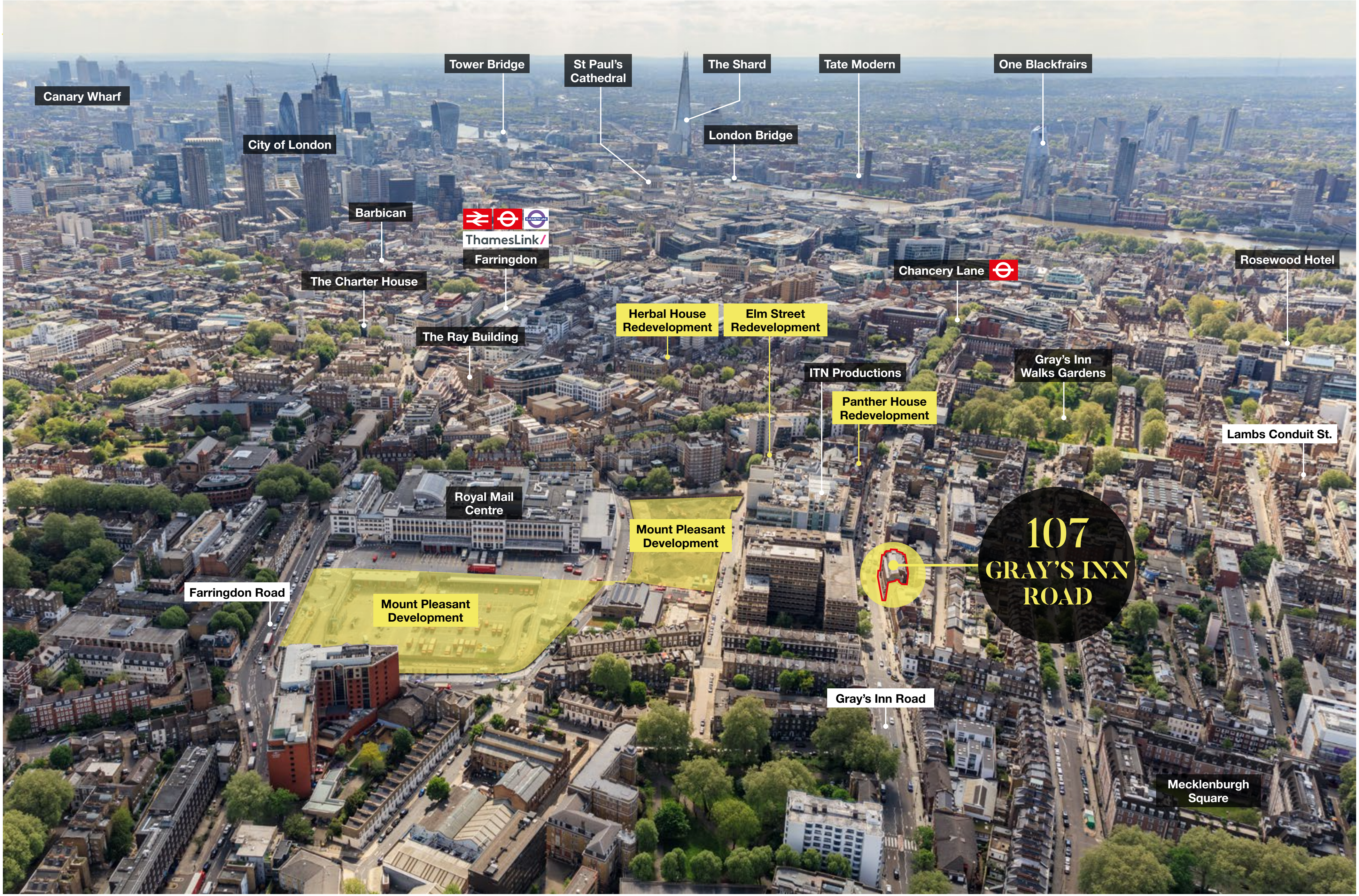
ELIZABETH LINE

Rare Central London Freehold Investment With Value-Add Opportunities

CHANCERY LANE

Investment Summary

- Reversionary Office Investment opportunity in **Central London**
- Freehold
- Extends to **10,557 sq ft NIA** and **14,434 sq ft GIA**
- Excellent transport links and perfectly situated to benefit from the **2019 launch of Crossrail Farringdon**
- Centrally positioned in an accessible Midtown location with **three underground stations** less than 0.5 miles away **(Russell Square, Chancery Lane and Holborn)**
- **Value-add refurbishment or development opportunity** subject to obtaining the necessary consents
- Opportunity to enhance income through letting vacant and non-income producing space. **50% of accommodation is currently income producing**
- Current passing Rent of £188,426 per annum and an ERV of £486,160 per annum, which is based on full utilisation of lettable floor areas
- **Average passing rent of £35.56 per sq ft** compared against an **ERV of £50.00 per sq ft**
- WAULT of 1.95 years to expiries and 1.17 years to breaks
- We are instructed to seek unconditional offers in excess of **£8,500,000**, subject to contract and exclusive of VAT, for our client's freehold interest.
- A purchase at this level reflects an equivalent yield of 5.00% and a capital value of £805 per sq ft, after allowing for an acquisition costs of 6.68%.


Canary Wharf
Tower Bridge
St Paul's Cathedral
The Shard
Tate Modern
One Blackfrairs
City of London
London Bridge
Barbican
ThamesLink/
Farringdon
The Charter House
Chancery Lane
Rosewood Hotel
Herbal House Redevelopment
Elm Street Redevelopment
The Ray Building
ITN Productions
Gray's Inn Walks Gardens
Panther House Redevelopment
Lambs Conduit St.
Royal Mail Centre
Mount Pleasant Development
107 GRAY'S INN ROAD
Farringdon Road
Mount Pleasant Development
Gray's Inn Road
Mecklenburgh Square

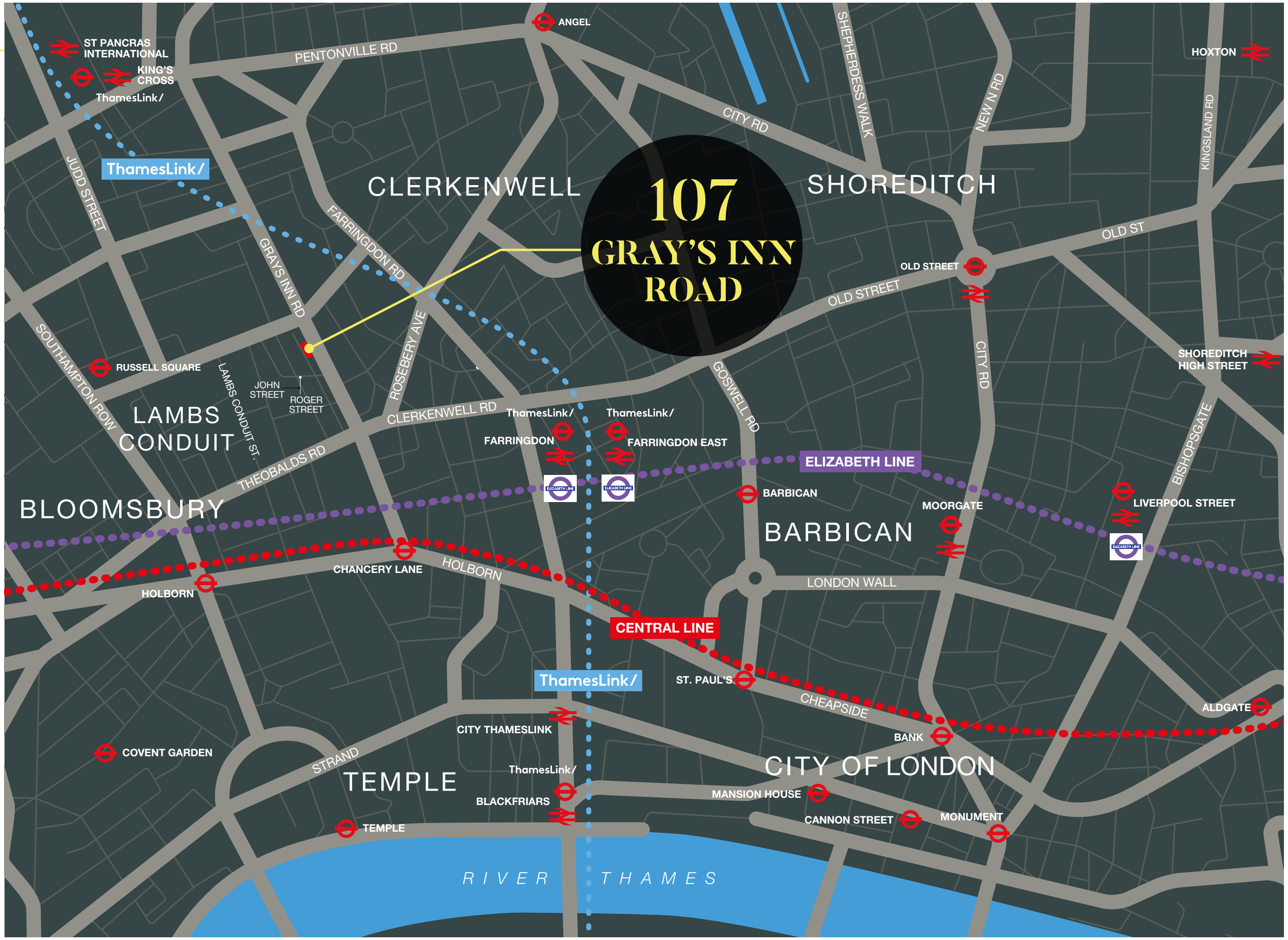
Location

London continues to go from strength to strength as the world's primary global financial centre and a beacon of stability within fluctuating markets. Midtown is an internationally recognized market located at the heart of Central London with the West End and Covent Garden to the west, the City of London and Farringdon to the east, King's Cross to the north and Southbank along with Waterloo to the south. It has become a market that is an attractive alternative to the traditional City and West End markets.

The Midtown market has accessibility, centrality and individuality. This thriving area is increasingly diverse in terms of elite and international tenants drawn from large corporate and smaller enterprises alike, including; Amazon, Deloitte, Disney, Goldman Sachs, Hogan Lovells, ITV, J Sainsbury plc, Lego, Skype and Time Warner. Many of these are in the vicinity of 107 Gray's Inn Road. This demand from well known businesses coupled with a traditional focus on education, medical, legal and technological sectors is creating a heterogeneous and active market.

Gray's Inn Road is a renowned address. It has a deep association with the legal profession, being home to The Honourable Society of Gray's Inn, one of the four Inns of Court in London. Recently the area has become a major conduit between Holborn and Chancery Lane to the south and King's Cross to the north, both of which are thriving commercial real estate markets in Central London. The property occupies a prominent position to the west side of the Road, directly opposite ITN's headquarters.

Alongside its historical significance, the area also provides a unique mix of local amenities and state-of-the-art developments which culminate to make this area very attractive to occupiers and investors alike. The evolution of the restaurant and bar offering in the vicinity, particularly along Lambs Conduit Street and Clerkenwell Road, are further adding appeal.



Connectivity

107 Gray's Inn Road benefits from the highest possible Public Transport Accessibility Level (PTAL) rating of 6b. The PTAL value combines information about how close public transport services are to a site and how frequent these services are.

Rail

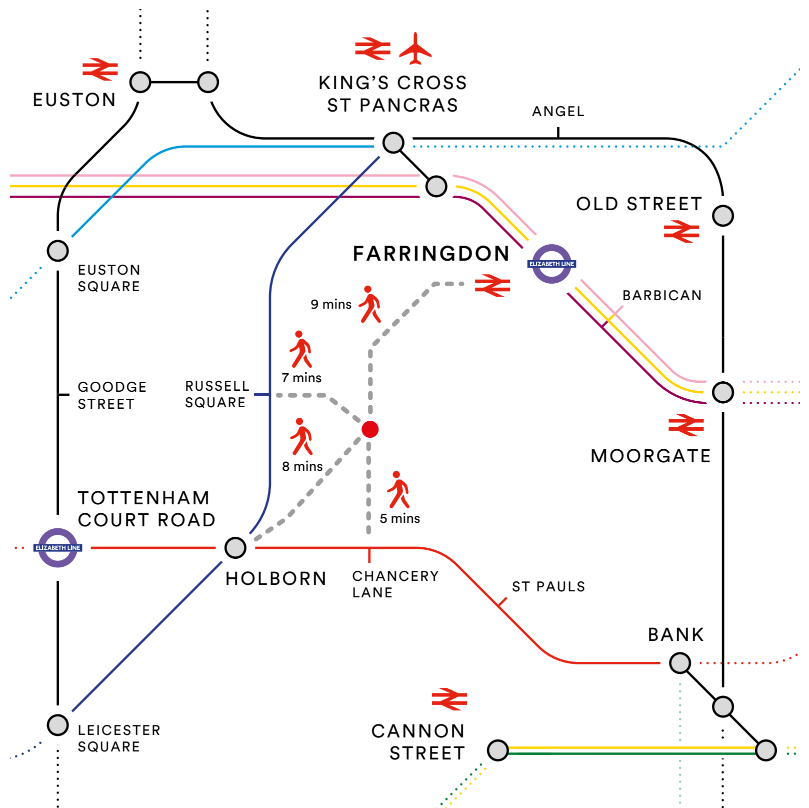
- Underground, Mainline and Thameslink stations in the immediate vicinity
- Three Underground stations (Russell Square, Chancery Lane, Holborn) less than 0.5 miles away
- Crossrail Farringdon to open in 2019

Road

- 12 minutes to The City and 25 minutes to Canary Wharf by taxi
- On the A5200 (Gray's Inn Road) and A501 (Euston Road) to the north
- Wealth of local bus links

Air

- Direct trains to Luton and Gatwick from Farringdon in circa 45 minutes
- Access to Stansted in under an hour
- Heathrow from 32 minutes once Crossrail has completed



Crossrail (Elizabeth Line)

Crossrail, which is scheduled to open in 2019, will transform Central London's connectivity and increase capacity by 10%. Farringdon Station is 0.6 miles to the south east of the subject property on the Elizabeth Line.

When complete, Crossrail Farringdon will:

- Become Britain's busiest train station
- Deal with more than 140 trains every hour
- Be accessible to 25% of England's population in 45 minutes
- See a significant reduction in journey times, for example; Farringdon to Ealing will now take 16 minutes, instead of the current 32 minutes
- Be the only station to benefit from Underground, Mainline, Thameslink and Crossrail linkages

Travel times across Central London from Farringdon Crossrail are expected to be as follows:

Description

107 Gray's Inn Road offers modern office accommodation extending to 10,557 sq ft NIA, arranged over ground and four upper floors. It benefits from a significant and sought after frontage along Gray's Inn Road as a consequence of its past use as showrooms at ground floor level. The accommodation provides regular and open plan floor plates with minimal partitioning.

In 2014 the building was refurbished which included the addition of the fourth floor mansard roof extension. This was erected to further expand the office space and the installation of new mechanical and electrical services and a new passenger lift. The fourth floor presents extremely well and benefits from panoramic views of the surrounding area.

The property benefits from the following specifications:

- Perimeter trunking
- Air-conditioning
- Suspended ceiling with integral lighting
- 6-person passenger lift
- Floor to ceiling windows at ground level
- Shower facilities
- Access and servicing at rear
- Outdoor area

The offices that are currently occupied provide enhanced services with the landlord responsible for utilities, telephony etc. The current configuration offers the opportunity to lease additional space, for example creating income out of unoccupied meeting rooms and vacant floors.

An assignable building survey is available in the dataroom.

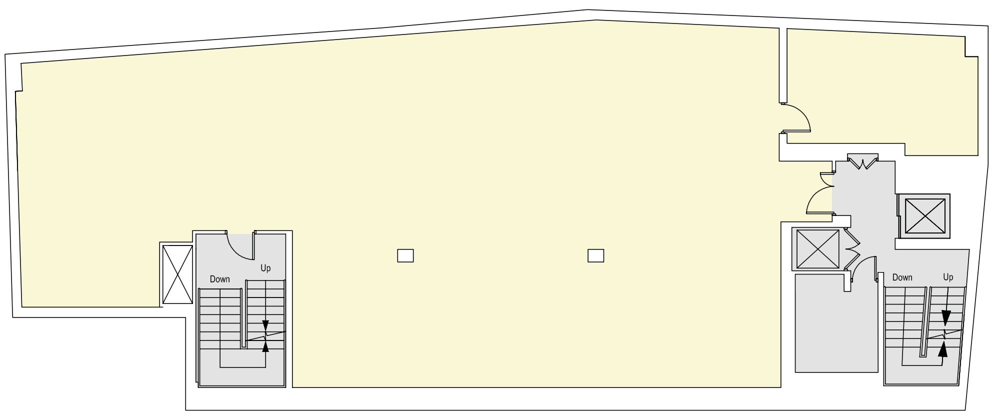
Accommodation

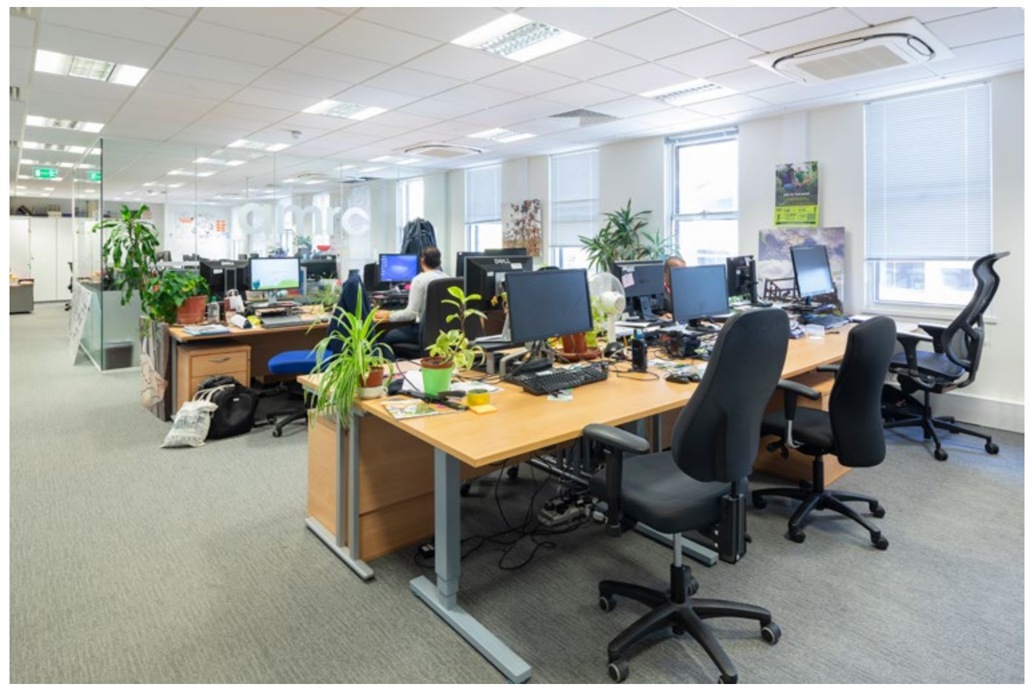
A measured survey has been undertaken which is assignable and available in the dataroom.

The accommodation over ground and four upper floors is arranged as follows:

Floor	Use	Area NIA sq ft	Area NIA sq m	Area GIA sq ft	Area GIA sq m
Ground	Offices	1,913	177.7	3,138	291.6
First	Offices	2,504	232.6	3,059	284.2
Second	Offices	2,399	222.9	2,947	273.4
Third	Offices	2,371	220.3	2,943	273.8
Fourth	Offices	1,370	127.3	2,347	218.0
Total		**10,557**	**980.7**	**14,434**	**1,340.0**

Below is a typical floorplan – further plans are available in the datasite.





Tenants

The property benefits from the following tenancies, all of which, except the Association of British Healthcare Industries Limited, are charities:

Tenant	Floor	Area sq ft	Total Lettable Space Per Floor	Lease Commencement	Lease Expiry	Passing Rent £ pa	Rent £ per sq ft	ERV £ per sq ft	ERV rent £ pa	Comments
Vacant	Fourth	1,370	1,370					£50.00	£68,500.00	Available to let.
The Landscape Institute	Part Third	1,645	2,371	24-Apr-15	23-Apr-20	£43,848	£26.66	£50.00	£82,250.00	Outside the L&T 1954 Act. Tenant Only Break April 2018 not exercised.
The Conservation Volunteers	Part Second	457		05-May-18	04-May-23	£15,081	£33.00	£50.00	£22,850.00	Tenant Only Break 4 May 2019, 2020 and 2022. Landlord Break 4 May 2020. Breaks subject to 6 months prior written notice.
Association of Medical Research Charities	Part Second	753	2,399	28-Aug-15	27-Aug-20	£25,602	£34.00	£50.00	£37,650.00	Outside the L&T 1954 Act. Tenant Only Break August 2018 not exercised.
World Obesity Federation	Part Second	517		23-Jul-15	22-Jul-20	£17,578	£34.00	£50.00	£25,850.00	Outside the L&T 1954 Act. Tenant Only Break July 2018 not exercised.
Association of British Healthcare Industries Limited	Part First	1,927	2,504	26-Aug-15	25-Aug-20	£86,317	£44.79	£50.00	£96,350.00	Tenant Only Break 26 August 2019, subject to 6 months prior written notice. Outside the L&T 1954 Act.
Vacant	Part Ground	1,136	1,136					£50.00	£56,800.00	Ground Floor meeting rooms. Available to let.
Total Space Let:		**5,299**			**Total Passing Rent:**	**£188,426**				
Total Lettable Space from 2020:		**9,780**			**Total ERV:**	**£486,160**				

The occupied space totals 50% of total NIA in the building. The 1st and 2nd floors are effectively fully let floors providing the opportunity to let the vacant space on the ground floor, part 3rd floor and 4th floor. Vacant possession of the building can be achieved by late 2020 to enable 100% of the NIA to become income producing.

Once fully let the property has an Estimated Rental Value of £486,160 per annum and could be increased further with a reconfiguration or removal of the ground floor reception area.

Covenant Information

The landscaping Institute (LI) RC000767 – Registered Charity No 1073396

The LI, founded in 1929, is the chartered body for the landscape profession as well as being an educational charity that promotes landscape practice. It currently has over 6,000 members.

The Landscape Institute has a D&B Rating of 01 which represents minimum risk.

Association of Medical Research Charities (AMRC) 02107400 – Registered Charity No 296772

The AMRC, established in 1987, is the UK's national membership organisation for health and medical research charities. Their 140 member charities support over one third of all publicly-funded medical research in the UK, having invested £1.6 billion in 2017.

The Association of Medical Research Charities has a D&B Rating of A1 which represents minimum risk.

Association of British Healthcare Industries (ABHI) (now Association of British HealthTech Industries)

ABHI, formed in 1988, supports the HealthTech community to provide products and services that help people live healthier lives. The organisation has over 250 member companies which together provide 80% of the medical technology used in the NHS.

The Association of British HealthTech Industries has a D&B Rating of A1 which represents minimum risk.

The Conservation Volunteers (TCV) 00976410 – Registered Charity No 261009

TCV is a nationwide community volunteering charity. They have forged successful partnerships with; Barclays, BT, Network Rail, RBS, Bank of America, Npower, Waitrose and PwC amongst others.

The Conservation Volunteers have a D&B Rating of 2A2 which represents lower than average risk.

World Obesity Federation 03802726 – Registered Charity No 1076981

The World Obesity Federation represents professional members from over 50 regional and national obesity associations.

The World Obesity Federation has a D&B Rating of A2 which represents lower than average risk.

Asset Management Opportunities

The property has a number of significant asset management opportunities allowing a purchaser to benefit from income and capital growth:

Vacant Space

There is currently vacant space on the fourth, third and ground floors that could let to an occupier on a short term basis and maintain a block date in the building for a refurbishment or redevelopment. At present only 50% of total NIA is receiving rental income in the building. ERV's in Midtown for this specification of office accommodation is £50.00 per sq ft, representing a significant reversion for an investor. The vacant space is currently not being marketed but we understand that the accommodation offered is suitable for many active requirements.

Increasing NIA

The building's reception area is oversized and reconfiguration would lead to a larger ground floor commercial unit. There is also the possibility of adding additional space to the rear of the building into what is currently used as a garden.

Refurbishment

The property presents an excellent opportunity for refurbishment to create superior space and achieve headline rents.

Residential

If residential conversion were to take place then we determine that, based on the area, sale prices of circa £1,300 per sq ft and upwards would be achievable.

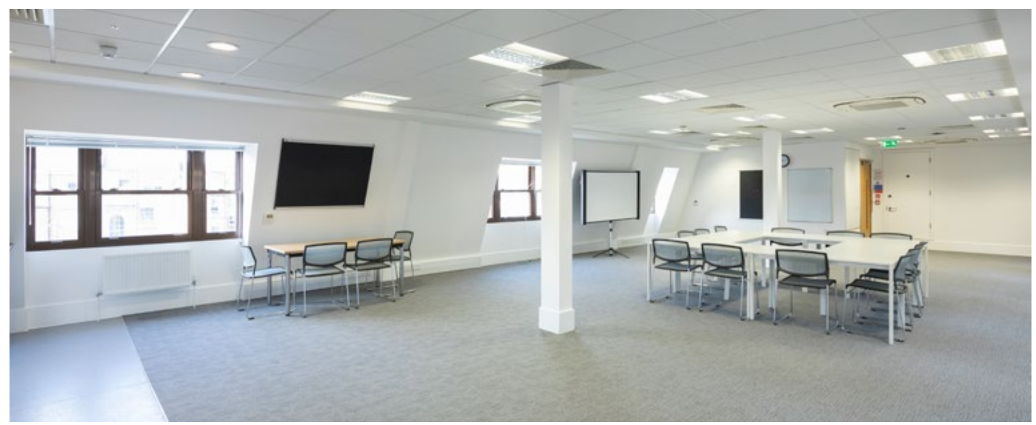
Purpose built luxury two bedroom flats have been achieving from £1,000,000 - £1,250,000 in St Pancras Place reflecting circa £1,450 per sq ft. Postmark, the first phase of the Mount Pleasant development of the former Royal Mail centre, will look to achieve similar values.

Retail

The original use of the building was as a showroom at ground floor level. Owing to its location on the thoroughfare of Gray's Inn Road, it could once again suit part conversion back into retail use.

Alternative Uses

Given the surrounding uses, the property may offer opportunities for co-living, student accommodation, hotel or other uses subject to the necessary consents.



Market Commentary

London Investment Market

- London retains its No. 1 ranking in the Schroders Global City Index
- Central London investment volumes totalled £6.5 billion in Q2 and £8.7 billion in H1 2018
- At the end of June 2018, £2.5 billion of stock was under offer
- London prime yields reflect value when compared against the leading European cities such as Paris, Berlin and Munich where office yields are 3.00%

Midtown Investment Market

As London goes from strength to strength, so too does Midtown where investment transactions reached £1.2 billion in Q2 2018 and contributed to the second highest H1 volume since 2014. In H1 2018, vacancies also dropped below that of the West End for the first time in more than 15 years. The continued high demand for new and refurbished space and lack of any meaningful pipeline will sustain future strong rental performance at the top end of the Midtown market. Occupiers are buying in to the identity, accessibility and desirability of Midtown as well as its potential for the future.

Grade A rents in Midtown stand at £70 per sq ft. The rental growth seen in the market has been fuelled by certain key factors in the last five years. Prime rents have increased by 93%; rising demand and falling vacancy rates have fuelled a strong increase in average rents across all stock, which are now at £57 per sq ft. These pressures will only increase in Q4 2018 due to the restricted development pipeline, with only 1.6 million sq ft under construction. As a result, rental projections for the next five years are positive.

A recent marquee pre-letting illustrating demand within the Midtown market was that of 611,000 sq ft in North Midtown across three buildings during July 2018, Acquired by Facebook. Key recent lettings of similarly sized buildings in H1 2018 were; Shaftesbury House, WC2 (13,000 sq ft) to Hogarth Worldwide at £68.74 per sq ft for 5 years and 101 St Martins Lane, WC2 (5,000 sq ft) to Whispering Smith at £67.60 per sq ft for 15 years.

Address	Date	Tenant	Area (NIA sq ft)	
St Johns House EC1V 4JL	Q2 2018	Grimshaw Architects	3,250	£65
The Market Building EC1R 4RW	Q2 2018	Buchen Group	1,600	£62.50
Shafesbury House WC2H 8AL	Q1 2018	Hogarth Worldwide	13,000	£68.74
101 St Martins Lane WC2N 4AZ	Q1 2018	Whispering Smith	5,000	£67.60
Lacon House WC1X 8NL	Q1 2018	Brightcove	11,681	£61.48
6-10 Bakers Yard EC1R 3DF	Q1 2018	Wearewiser	5,800	£61.50

The culmination of these factors means Midtown is increasingly thought of as an alternative to the West End and City markets. Adjacent, there is evidence demonstrating the active nature of the vacant possession market in Midtown.

Investment Sales

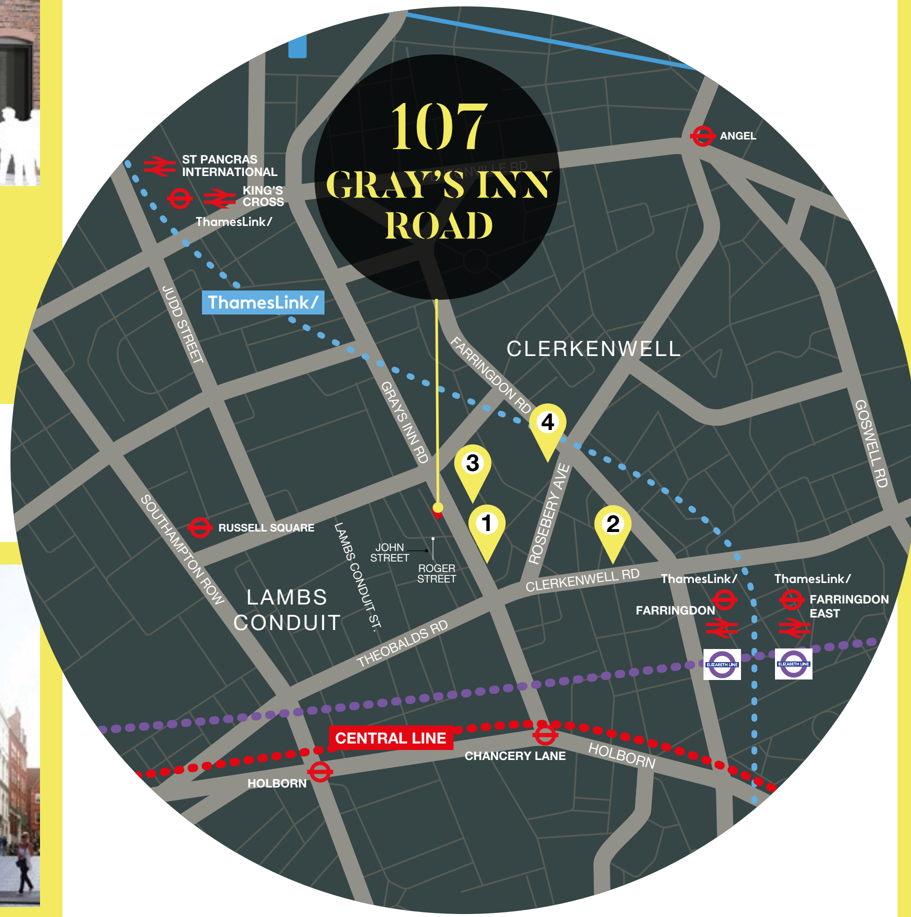
Address	Date	Area (NIA sq ft)	Price	
80 Clerkenwell Road EC1M 5RJ	Q3 2018	12,809	£18.50m	4.63%
35 Great Sutton Street EC1V 0DX	Q2 2018	9,169	£11.00m	4.00%
85 Gray's Inn Road WC1X 8TX	Q4 2017	28,250	£24.50m	4.40%
9-13 St Andrew Street EC4A 3AF	Q3 2017	16,772	£21.00m	3.80%
2 Hosier Lane EC1A 9LJ	Q3 2017	42,247	£35.50m	4.20%
144A Clerkenwell Road EC1R 5DF	Q2 2017	21,193	£19.00m	4.96%
36-38 Hatton Garden EC1N 8EB	Q2 2017	24,007	£28.85m	4.66%
52 Bedford Row WC1R 4LR	Q1 2017	28,385	£28.20m	3.99%

Local Developments

The area surrounding the subject continues to see significant regeneration activity and public realm improvements, the most pertinent are listed below:

1 – Panther House

- Developer: Dukelease
- Practical Completion 2022,
- 75,000 sq ft offices, A1/A3 and 13 residential units



3 – Elm Yard, Elm Street

- Developer: Great Portland Estates
- Completed Q3 2017
- Most space let close to £60 per sq ft
- 85,000 sq ft of refurbished space, 3,980 sq ft remains available

2 – Herbal House, 10 Back Hill

- Developers: Allied London and Aerium
- Completed Q4 2017
- 115,000 sq ft
- Less than half the space remains after lettings to Photobox Group and Ideo at and just below £75 per sq ft

4 – Mount Pleasant, Phoenix Place

- Developer: Taylor Wimpey
- Practical Completion first phase from 2022
- 681 residential units, 45,854 sq ft of office space and 24,218 sq ft of retail

Tenure

Freehold.

Service Charge

The service charge expenditure for the year to 31 December 2018 was £351,050. This reflects an enhanced service offering which includes telephony and internet solutions.

EPC

The property has an Energy Performance Certificate rating of C61.

VAT

The property has been elected for VAT, and it is intended that the transaction will be treated as a Transfer of a Going Concern (TOGC).

Datasite

Further information, including; Title pack, measured survey, EPC and other relevant documentation can be accessed on the sale datasite, details of which can be made available upon request.

Proposal

We are instructed to seek unconditional offers in excess of £8,500,000 subject to contract for the freehold interest, allowing for purchasers costs of 6.68%.

A purchase at this level reflects an equivalent yield of 5.00% and a capital value £805 per sq ft.

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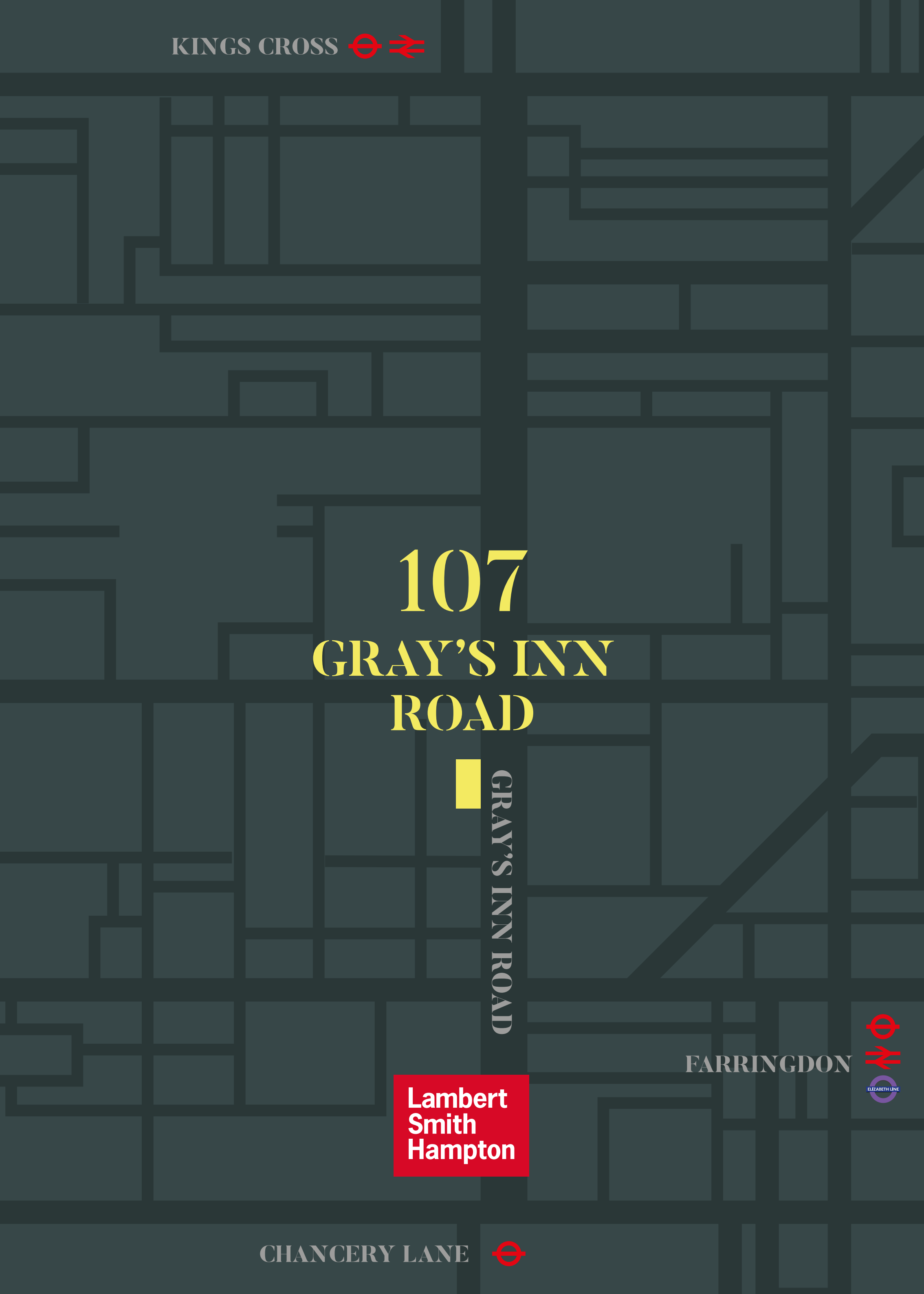

Lambert Smith Hampton