

# WARWICK BUILDING

AVONMORE ROAD  
Kensington Village, London W14 8HQ





## INVESTMENT SUMMARY

- Highly prominent Central London office building in a secure campus environment
- Developed in 2000 to provide approximately 79,617 sq ft (7,396.46 sq m) of air conditioned warehouse style offices arranged over ground and four upper floors including 45 car parking spaces
- Let to PG Media Services Limited with Leo Burnett in occupation on a FR&I lease expiring 1st March 2021, subject to an upward only rent review on 1st January 2016
- Current income £2,200,000 pax reflecting a rent of £26.64 psf taking into account £1,750 per car parking space
- Highly reversionary with an ERV of £2,865,345 pax reflecting £35 psf overall and £1,750 per car parking space per annum
- 999 years from 21st July 2000 at a peppercorn rent with the freehold being held by shares within a management company of the entire Kensington Village Estate.
- Price £37,500,000 reflecting a net initial yield of 5.55% with a reversion in January 2016 to 7.22%
- Capital value £471 psf

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KENSINGTON VILLAGE  
LONDON W14 8HQ



Olympia

Kensington High Street

Holland Park

A4

Kensington Gardens



# LOCATION

Kensington Village is a landmark office development, situated in a prominent position on the north side of the West Cromwell Road (A4) between North End Road to the west and Warwick Road to the east. Kensington Village is accessed via two secure pedestrian entrances from the A4, with vehicular access from Avonmore Road.

Communications are excellent with the following public transport facilities available to the occupiers:-

## Underground

West Kensington Station (District Line)	3 minutes walk
Earls Court Station (District and Piccadilly Lines)	6 minutes walk
Kensington (Olympia) Station (District Line)	6 minutes walk
West Brompton (District and London Overground)	6 minutes walk

## Rail

Paddington Station	14 minutes from Kensington (Olympia)
Victoria Station	8 minutes from Earls Court
Clapham Junction Station	10 minutes from Kensington (Olympia)

Just to the south of Kensington Village, Capital & Counties have received outline planning permission for their Earls Court Project Area, a tract of land covering 77 acres. It spans the boundaries of the boroughs of Hammersmith & Fulham and Kensington & Chelsea and its borders run along Warwick Road to the east, Lillie Road to the south, North End Road to the west and West Cromwell Road (the A4) to the north.

The summary details of this development are as follows:

- 1,570,000 sq ft (146,000 sqm) of ancillary space
- 41 acres (16.75 hectares) of open space including the Lost River Park
- Up to 7,583 new homes (6,775 at Earls Court and 808 at Seagrave Road)
- High Street containing retail, cultural, community and education space
- Office and workspace
- Community facilities including primary school, nursery and health hub
- Public sports and leisure facilities
- New hotels and serviced apartments
- 4,821 car parking spaces
- 12,274 cycle parking spaces
- Improvements to three stations: Earls Court, West Brompton & West Kensington
- 12,000 permanent full time jobs created



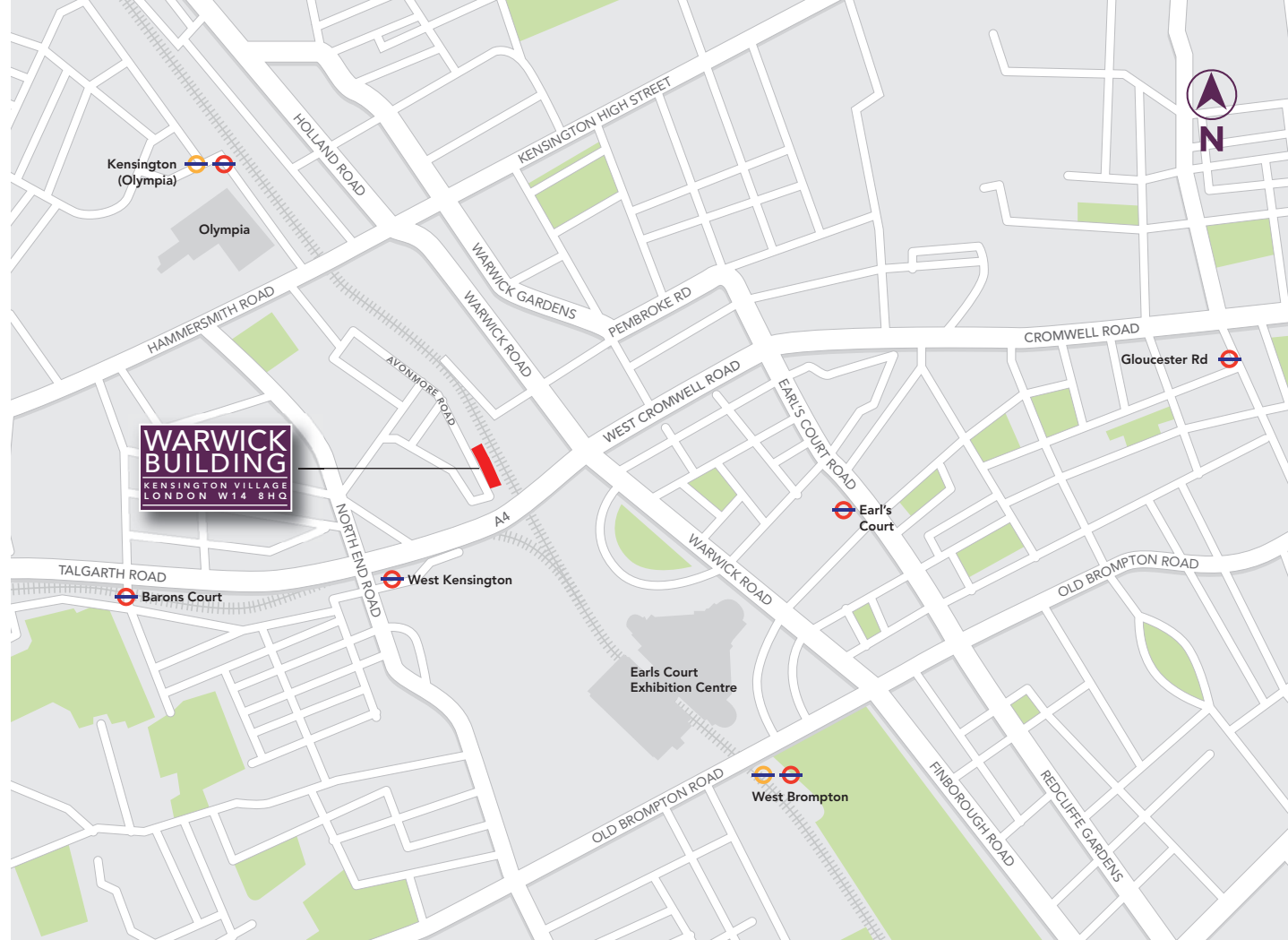
# KENSINGTON VILLAGE

Kensington Village was comprehensively redeveloped and part refurbished in 2000 to provide a secure campus style environment on a 4.2 acre site, primarily for HQ occupiers. The entire development comprises seven buildings totalling approximately 320,000 sq ft and benefits from the following amenities:-

- 24 hour monitored security at all three entrances
- Secure underground car parking
- Brasserie / Bar
- Landscaped open areas

The development has attracted the following Corporate occupiers:-

- Leo Burnett
- MSL London
- Medicus International
- IBDS
- Zodiak Media
- Universal Studios
- PayStream
- CACI





## DESCRIPTION

Warwick Building is part of the former Whiteley's furniture depository buildings and was extensively refurbished in 2000 behind the retained period façade. The roof is overlaid with a steel grillage supporting an aluminium roofing system. The building is constructed with load bearing brickwork walls, timber joists and steel beams and exposed cast iron columns. Three steel framed lift/stair cores have been constructed internally containing six lift shafts, four of which house automatic passenger lifts. Additionally there are three separate internal staircases within the building. The building is in single occupation, but is physically capable of vertical subdivision to provide six separate buildings.

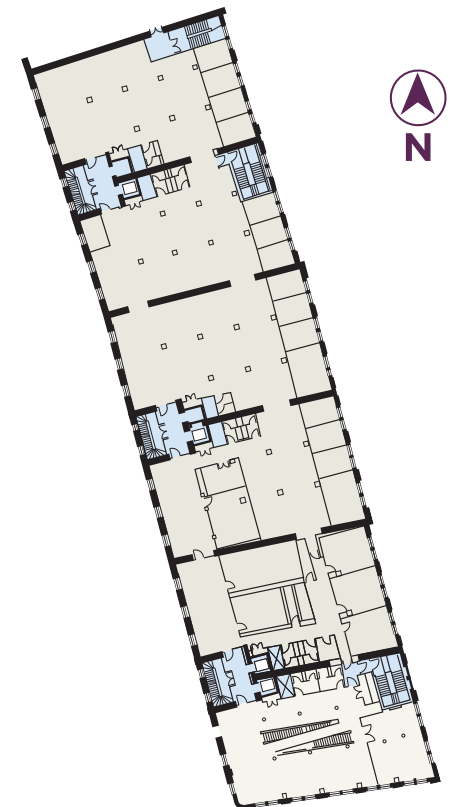
The accommodation is arranged on ground and four upper floors and provides approximately 79,617 sq ft (7,396.46 sq m) of net internal office accommodation.

The office accommodation is modern and stylish providing an excellent working environment.

### The specification includes:-

- Under floor four pipe fan coil air conditioning
- Raised access floors with under floor cable management systems
- Six automatic passenger lifts
- 45 car parking spaces (one space per 1,782 sq ft)
- Double glazing
- Floor loadings - 4.5KN/m<sup>2</sup>

### TYPICAL UPPER FLOOR



Floor	Area (sq ft)	Area (sq m)
4th Floor	16,226	1,507.40
3rd Floor	16,238	1,508.51
2nd Floor	16,106	1,496.25
1st Floor	16,020	1,488.30
Ground Floor	15,027	1,396.00
<b>TOTAL</b>	<b>79,617</b>	<b>7,396.46</b>

Not to scale. Indicative only.





## TENURE

Warwick Building is held on a long lease with a term of 999 years from 21 July 2000 at a peppercorn rent. The freehold interest is owned by a management company with each head lessor holding a due proportion of shares based on a pro rata floor area basis. The due proportion for Warwick Building is 26.49%.

Kensington Village Management Limited is a non profit making corporate entity, representing the interests of each of the owners on the estate. The company has reported neither a profit nor loss for the last three consecutive years.

## TENANCY

The property is let in its entirety to PG Media Services Limited on a full repairing and insuring lease with a term of 20 years, 2 months from 1st January 2001 expiring on 1st March 2021. The lease is subject to upwards only rent reviews every fifth year of the term, the next being 1st January 2016. The current rent passing is **£2,200,000** per annum exclusive equating to **£26.64** per sq ft, assuming a rental of **£1,750** per annum per car parking space. PG Media Services Limited operates as a holding company within the Publicis Groupe SA.

The building is occupied by The Leo Burnett Group. The Leo Burnett Group specialise in advertising, digital, social media, content and innovation, sales promotion, direct marketing, event management, licensing and luxury branding.



# COVENANT

## PG Media Services Limited

PG Media Services Limited is a wholly owned subsidiary of the Publicis Groupe SA. In the report and accounts for PG Media Services Limited dated 31st December 2011, they reported a turnover of £518,292,000, shareholders' funds of £86.894 m and an operating profit before tax of £13.942 m.

	31/12/2011	31/12/2010	31/12/2009
Currency:	GPB' 000	GPB' 000	GPB' 000
Turnover:	518,292	524,371	464,799
Pre Tax Profit:	13,942	5,135	-2,069
Shareholders Funds:	86,894	76,603	75,521

## MMS USA Holdings - Publicis Group

The lease is guaranteed by MMS USA Holdings Inc., a subsidiary of the Publicis Groupe SA. Further financial information on MMS USA Holdings is available on request.

Publicis Groupe SA is one of the world's three largest advertising holding companies. The group has a presence in 108 countries on 5 continents with more than 58,000 professionals. In 2012 revenue was 6.61 billion Euros with an operating margin of over 1 billion Euros representing 16.10% of revenue. The group encompasses amongst others Leo Burnett; Razorfish; Publicis; Saatchi & Saatchi; Fallon Worldwide; Bartle Bogle Hegarty; ZenithOptimedia and Starcom MediaVest Group.

Publicis Groupe SA, key consolidated income figures:

	2012	2011	2010
Currency:	Euros	Euros	Euros
Turnover:	6,610 million	5,816 million	5,418 million
Operating Income:	1,047 million	914 million	967 million
Earnings per share:	3.67	2.96	2.60
Total Assets	16,605 million	16,450 million	14,941 million





# MARKET INFORMATION

## The West End Office Market

Confidence has returned to the Central London letting market resulting in significant increases in annual take up. Occupier demand has been across the board from sectors ranging from technology, media and telecommunications and financial and professional services.

The immediate area's conservative rental base relative to other central London locations means it offers significant opportunities for rental growth. Set out below is a schedule of recent lettings that have taken place within both Kensington Village and in the locality:-

Date	Address	Area sq ft	Tenant	Rent psf
Q2 2013	10, Hammersmith Grove, London W6	40,000	Pernod Ricard	£47.50
Q3 2012	Chiswick Green	51,000	Viasat	£39.00
Q2 2012	Beaumont House, Kensington Village	16,000	Universal Music Limited	£35.00
Q2 2012	27, Hammersmith Grove	62,500	Winton Capital	£35.00
Q1 2012	44, Brook Green	60,000	BBC Magazines	£35.00

We consider the current rental value is in the region of £2,865,345 pax equivalent to £35.00 per sq ft on the net lettable office area and £1,750 per car parking space.

## Investment market

The West End investment market remains robust with a shortage of quality assets available. There is strong market appetite for high quality assets that offer significant rental growth and asset management opportunities in the short to medium term. The general lack of supply has generated pent up demand for the best investment product with overseas and domestic investors competing to invest. This is shown in the comparable transactions as detailed below:

Date	Property	Tenure	Area (sq ft)	Area (sq m)	Price	psf	Yield	Purchaser
Jun 2013	29-39, North Wharf Road, London W2	Freehold	240,000	22,295.92	£207,000,000	£881	5.12%	Under offer
May 2013	26-46, Lisson Grove, London NW1	Freehold	41,191	3,826.63	£24,000,000	£583	5.00%	Viridis Real Estate
May 2013	Empress State Building, Earls Court, London SW6	Freehold	451,000	41,897.75	£117,000,000 (50% share)	£519	6.20%	Capital & Counties plc
May 2013	114, Strand, London WC2	Long leasehold	46,158	4,288.06	£38,750,000	£840	4.60%	DTZiM
May 2013	Chiswick Green, Chiswick High Road, London W4	Freehold	82,307	7,646.29	£48,070,000	£584	6.25%	Prupim
Dec 2012	36, Golden Square, London W1	Freehold	39,202	3,641.85	£47,580,000	£1,214	4.25%	DTZiM
Sept 2012	60, Sloane Avenue, London SW3	Freehold	12,831	11,410.96	£129,000,000	£1,049	4.74%	Private overseas investor
Aug 2012	7, Howick Place, SW1	Freehold	73,777	6,853.86	£54,000,000	£723	5.57%	Private overseas investor

All comparables provided by third parties are subject to verification by the purchaser.

## PLANNING - RESIDENTIAL

The vendor has been working on a planning application to construct a new 2 storey roof extension to Warwick Building that would deliver 25 penthouse flats with an estimated average value of £1,200 psf. There is currently a very strong investor and occupier demand which is reflected by peak values at the nearby 375 Kensington High Street (a St Edward scheme) of circa £2,500 psf.

The building also qualifies for a change of use from offices to C3 (residential) under the Government's new 'permitted development' (PD) procedure.

Full information is available in the Data Room.



Computer Generated Images

## CAPITAL ALLOWANCES

Unclaimed capital allowances may be available to qualifying purchasers, subject to separate negotiation. We understand these to be in the order of £500,000.

## VAT

The property has been elected for VAT and it is proposed that the property will be sold as a TOGC, so that VAT will not be payable on the purchase price.

Subject to Contract and Exclusive of VAT.

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## ENERGY PERFORMANCE CERTIFICATE

Warwick House benefits from a C(73) rating. The full performance certificate is available in the data room.

## DATA ROOM

For further information please refer to our website [www.warwickbuilding.co.uk](http://www.warwickbuilding.co.uk)

## HOLDING STRUCTURE

The building is held within an Isle of Man Special Purpose Vehicle (SPV) whose only business has been in connection with the ownership of this property. The seller would consider a sale of the SPV and further information can be provided upon request.

## PROPOSAL

The vendors are seeking a price of **£37,500,000** (THIRTY SEVEN MILLION FIVE HUNDRED THOUSAND POUNDS), subject to contract and exclusive of VAT for the long lease hold and freehold interests, reflecting a net initial yield of **5.55%** and a reversionary yield of **7.22%** having allowed for standard purchaser's costs of **5.80%**. The price reflects a capital value of **£471** psf.

## FURTHER INFORMATION

For further information, or to arrange an inspection, please contact:-

**Charles Godfrey**

T: +44 (0) 20 7183 6527

M: +44 (0) 7786 061 094

E: [charles.godfrey@gn2.uk.com](mailto:charles.godfrey@gn2.uk.com)

**Tom Butt**

T: +44 (0) 20 7183 6528

M: +44 (0) 7703 343 546

E: [tom.butt@gn2.uk.com](mailto:tom.butt@gn2.uk.com)



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