

UNITS 1, 2 & 3

COMMERCIAL ROAD, READING RG2 0QZ



**PRIME SOUTH EAST
INDUSTRIAL INVESTMENT**

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PRIME SOUTH EAST INDUSTRIAL INVESTMENT



Investment Summary

- Prime South East single let industrial investment
- GIA of 22,410 sq ft (2,081.95 sq m)
- Let to ISS Facility Services Ltd with a D&B rating of 5A 1
- Passing rent of £206,090 pa (£9.20 psf)
- New 8 year lease with a 3 year tenant only break option (Subject to a 3 month penalty)
- Asset management opportunities
- Offers in excess of £2,870,000, reflecting a NIY of 6.75% (Costs 6.434%)



Location

The property is located in Reading, a major administrative and university town in the Thames Valley with an urban population of 318,000 (2011 Census). It is located 40 miles west of central London and just 29 miles from Heathrow Airport.

Road communications are excellent with the M4 motorway passing to the south of the town, accessed by Junctions 10, 11 and 12. The motorway offers easy access to Swindon, Bristol and South Wales to the west, with the M25 London Orbital motorway and Heathrow to the east.

Reading railway station has links to destinations throughout the UK, including London Paddington (25 mins), Birmingham (1 hour 30 mins), Bristol Parkway (55 mins) and Oxford (24 mins). There is a direct rail service to both Heathrow and Gatwick airport.

Reading will further benefit from the opening of Crossrail in December 2019, offering improved access to central London, including Liverpool Street, Bond Street and Canary Wharf.





Key

1. Brunel Retail Park
2. DHL
3. Evander/Rockspring Site
4. Proctor & Gamble
5. Green Park
6. Madejski Stadium
7. Reading Retail Park
8. Tesco RDC
9. Reading Gateway Site
10. Audi
11. Geopost
12. BMW/Mini, Volvo, Jaguar Land Rover

Situation

The subject property is situated on Commercial Road, less than half a mile from the A33 via Bennet Road. The A33 acts as the main arterial route connecting Reading Town Centre (2 miles north) to Junction 11 of the M4 (1 mile south).

The area around the A33 is an established commercial location which is home to Green Park, Brunel Retail Park, Reading Gate Retail Park and the Madejski Stadium. The immediate vicinity consists of predominantly industrial uses, along with some trade counter and car dealerships. Occupiers include Europcar, Proctor & Gamble, Ducati, Honda, Bathstore, HSS Hire, Renault Trucks and Jewsons.

Accommodation

The property has been measured on a GIA basis in accordance to the RICS Code of Measuring Practice 6th Edition:

Main Warehouse	19,127 sq ft	1,776.96 sq m
Offices	1,659 sq ft	154.12 sq m
Internal Offices 1	812 sq ft	75.50 sq m
Internal Office 2	811 sq ft	75.37 sq m
TOTAL	22,409 sq ft	2,081.95 sq m

The site extends to 0.93 acres (0.38 hectares) with a footprint site cover of 51%.





Description

The property comprises a recently fully refurbished warehouse/industrial unit of steel portal frame construction with part brickwork/part metal clad elevations and metal clad/translucent roof panels. Eaves height to the under side of the haunch is 18ft 4ins (5.6m). The warehouse is accessed via four roller shutter doors and has the capability of splitting into three separate units, thereby offering future flexibility. Internally there are two adjoining two storey pods, providing ancillary office accommodation and male/female WC's.

There is a two storey brickwork building connected to the north western corner of the warehouse. This building provides a reception, ancillary offices, kitchen and male/female WC's. The self contained site extends to 0.93 acres and is secured with a palisade perimeter fence. The extensive yard fronting Commercial Road has a depth of 27 m offering excellent loading and parking facilities for up to 36 car spaces.





Tenancy

The property is let to ISS Facility Services Limited on an FRI lease for a term of 8 years from 1st January 2016.

The commencing rent is £206,090 pa, equating to £9.20 per sq ft. The rent is to be reviewed upward only on 1st January 2021 to open market rental value.

The lease contains a tenant only break option on 1st January 2019 which is subject to a minimum of 6 months prior written notice and the equivalent sum of 3 months rent penalty. In order to activate this break, the tenant must satisfy the landlord that they or any associated Group Companies are no longer under contract to provide any services to Hewlett-Packard or a member of the same Group. The tenant is entitled to one month rent free if this break clause is not activated. Further details are available upon request.

Tenure

The property is held Freehold.

Covenant

ISS Facility Services Limited is a wholly owned subsidiary of ISS UK Limited and operates as part of the ISS Group's activities within the UK. ISS Facilities Services Limited has a Dun & Bradstreet rating of 5 A1, representing a minimum risk of business failure.

The principal activity of the company is facility services, which includes the provision of daily cleaning services, landscaping and catering services, maintenance activities and services associated with building maintenance and security. The company currently employs 27,412 staff.

We understand the subject property is specifically servicing a Hewlett Packard contract. This contract was recently extended until the end of 2018. It is one of the biggest global facility services agreements in the industry.

As part of this agreement, ISS deliver Integrated Facility Services to more than 500 Hewlett Packard sites in 58 countries across five continents.

ISS began working with Hewlett Packard in June 2008, providing a range of services in Europe, the Middle East and Africa. The collaboration has been expanded several times. Since late 2010, ISS has been responsible for the global delivery of Hewlett Packard's facility services.

A summary of the recent financial results for ISS Facility Services Limited are summarised below:

	Y/E Dec 2014	Y/E Dec 2013
Turnover	£665,172,000	£661,422,000
Pre-Tax Profit	£27,634,000	£26,930,000
Shareholders' Funds	£125,458,000	£103,357,000



Occupational Market

Occupational Market

There is a shortage of new build warehouse accommodation, a diminishing supply of second hand space and few immediate opportunities for industrial development. As demand remains high, Reading and the rest of the South East should continue to see positive rental growth.

The subject property recently let in the open market with only minimal tenant incentives at a rent of £9.20 per sq ft. Rents for prime new build industrial in Reading are now achieving in excess of £10 per sq ft. Furthermore, a recently completed letting to Topps Tiles at nearby Reading Trade Centre achieved a headline rent of £14 per sq ft.

Notable schemes in the development pipeline include:

- Island Road Site - Evander/Rockspring secured planning consent in March 2015 for up to 260,000 sq ft of distribution warehouse accommodation. (3 units of 55,000/72,000/135,000 sq ft). This 22 acre site is half a mile from the subject property fronting the A33 and is due to complete in September this year.
- Reading Gateway – Kier Property recently secured planning permission on their 20 acre site near J11 of the M4. The site will deliver 175 new homes, a 120 bed hotel, 2 car dealerships and 48,000 sq ft of Trade Use (Trade City). Construction is expected to commence in early summer 2016.



Investment Market

UK Industrial transactions totalled £5.6bn in 2015 and with continuing investor demand, the outlook remains positive.

The sector continues to see record low availability rates, robust levels of demand, rental growth in prime areas and an increase in speculative development.

Date	Property	Term Certain	Price	Yield	Purchaser	Comments
U/O	Reading, Connect 33, 5 Bolton Road	11.2 years	Q.£5.67m	Q.6.00%	U/O	Under offer in excess of asking
U/O	Modular Heating Group Ltd, Basildon	4 years	Q.£3.48m	Q.7.25%	U/O	Under offer in excess of asking
April 2016	British Gas Training Centre, Thatcham	5.5 years	£3.465m	6.4%	Bromley County Council	Long leasehold, refurbished in 2006
December 2015	XPO (Norbert) Distribution Ltd, Maidstone	5 year	£6.9m	6.05%	CRBRE GI	1990's distribution unit with residential potential.
September 2015	Somerfield Stores, Cardinal Distribution Park, Huntingdon	4 years	£9.3m	5.44%	CCLA	Located on a modern distribution park off the A14.
August 2015	Lexicon House, Guildford	3.6 years	£4.97m	5.71%	Guildford Borough Council	Modern industrial unit, next to Surrey University
August 2015	Colorcon Ltd, Crossways Business Park, Dartford	5.25 years	£2.4m	6.16%	Mulberry Investments	Modern purpose build unit close to Dartford Bridge

Asset Management

The property offers a number of future asset management opportunities, including:

- Removing the tenant only break option
- Lease re-gear
- Splitting to create smaller flexible units
- Change of use to Trade Counter

VAT

The property is elected for VAT and it is envisaged that the sale will be treated as a TOGC.

EPC

An EPC is available upon request.

Price

Offers in excess of **£2,870,000** (Two Million, Eight Hundred and Seventy Thousand Pounds), subject to contract and exclusive of VAT for the freehold interest. This reflects a net initial yield of **6.75%**, after applying purchase's costs of 6.434%.

Further Information

For further information or to make arrangements for a viewing, please contact:



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SUBJECT TO CONTRACT & EXCLUSIVE OF VAT

Date: April 2016

DISCLAIMER

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