

PROMINENTLY LOCATED MULTI-LET OFFICE INVESTMENT  
WITH CONVERSION POTENTIAL



# STEVENAGE OFFICE COMPLEX

LYTTON WAY, STEVENAGE, HERTS. SG1 3HG

## Investment Summary

- Stevenage enjoys excellent communications, being located alongside the A1(M), with rapid access to the M25, and London, and linking to the A1 Great North Road. Rail services are on the East Coast Main Line and Luton Airport is only 14 miles to the west.
- Prominent development of four office buildings constructed 1980's, fronting the A602 (Lytton Way)
- Let to five occupational tenants, plus a telecommunications mast, with a serviced offices business run by the vendor, producing a **total income of £172,825 pa**
- Considerable potential to increase income, through asset management initiatives with ERV of circa £321,500 pa.
- Potential for residential, hotel or other alternative uses, subject to permitted development rights or planning consent.
- Offers sought in excess of **£1,600,000** subject to contract to give an **initial yield of 10.2%** after 5.8% purchasers costs, **potential reversionary yield of 19%**, and capital cost of only £ 39.82 per sq ft.

## Location

Stevenage is located 31 miles north of London, 17 miles west of Hertford and 29 miles south-west of Cambridge. It is one of the largest urban areas and major employment centres in the South East Region and has a population of circa 84,200 (2011 Census).

The town benefits from excellent road communications, being located adjacent to the A1(M) (Junctions 7 & 8) which joins the M25 London orbital motorway 17 miles to the south, and is the main arterial road from London to the North East and Scotland. Rail links are also very good with Stevenage being located on the East Coast Mainline, having a fast and regular service to London with a fastest journey time of 20 minutes. Airport facilities are available at nearby Luton, some 14 miles to the West, providing domestic and international passenger and cargo services.

The strategic location and excellent communications have attracted a number of major office occupiers to Stevenage, including, GlaxoSmithKline, Airbus, Fujitsu, Cobham, Du Pont, Talk Talk, Hertfordshire County Council, The Land Registry, Institute of Electrical Engineers, Betfair and The Wine Society.

## Situation

Stevenage Office Complex enjoys a prominent location fronting the A602 (Lytton Way) at the roundabout junction with Trinity Road. The A602 comprises the main north/south arterial road through Stevenage, and leads directly to Stevenage Rail Station, which is situated only 500 metres to the south. Accordingly Lytton Way comprises a key office pitch for the town. Immediately to the south of the entrance to the Stevenage Office Complex on Gates Way is the Gate Hotel, offering bar, food and hotel facilities.

The retail and restaurant facilities of the charming “Old Town” area of Stevenage are accessible via a path from the car park approximately 80 metres to the north-east, whilst the more substantial retail facilities of the “New Town” are also within walking distance, circa 300 metres to the south-east.



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## Description

Constructed in the early 1980's, the property comprises a complex of four interconnecting office buildings, arranged on ground and two upper levels, with the exception of Ardent House which is built on four storeys. Each of the buildings was named after one of the ships which played a major part in the 1982 Falklands Campaign. A breakdown of areas is set out below:

	Net internal Area (sq ft)	Net Internal Area (sq m)
Maxet House (formerly Antelope House)	9,276	862.08
Ardent House	12,388	1151.30
Sheffield House	9,265	861.06
Atlantic House	9,249	859.57
<b>Total</b>	<b>40,178</b>	<b>3,734.01</b>

Excellent car parking provision is available on site, with 94 spaces, giving a car parking ratio of 1:428 sq ft. The site area is circa 1.6 acres (0.65 ha).

The property is constructed of concrete frame with brick faced elevations, double glazed fenestration and flat asphalt roofs. The car parking area is laid with brick paviors, with marked spaces, and with soft landscaped surroundings. Internally the office accommodation is fitted out with suspended grid ceilings incorporating recessed lighting, perimeter gas fired convector heaters, and carpet tiled floors with underfloor trunking. There are 4 passenger lifts (one per building) and comfort cooling has been fitted to some areas.

## Tenure

Freehold.

## Tenancies

The property is let in line with the tenancy schedule detailed below, with five occupational tenants, and an O2 telecom mast producing an income of £166,300pa. In addition the vendor operates a serviced office centre within Maxet House and the second floor of Ardent House.

Some 9,288 sq ft of the property is vacant and in total 21,664 sq ft could be available for letting if a purchaser does not wish to continue the serviced office enterprise.

Property	Tenant	Size Sq ft	Lease Term	Lease Start	Lease Expiry (Break Clause)	Annual Rent £ pa	Rent £ psf	Comments
<b>Maxet House</b>								
Ground, First & Second Floors	Maxet House Business Centre	SF: 3,092 sq ft FF: 3,094 sq ft GF: <u>3,090</u> sq ft 9,276 sq ft						Occupied by vendor as serviced offices. ERV £75,000 pa
<b>Ardent House</b>								
Ground Floor	Disabled Enabled Ltd	3,096 sq ft	3 years	1/07/11	30/06/14	£20,000	£6.45	Rent includes service charge and utilities. Lease outside the Act. New 12 month licence proposed.
First Floor	Vacant	3,096 sq ft						ERV £25,000 pa Rateable Value £43,250
Second Floor	Maxet Suite	3,100 sq ft						Occupied by vendor as serviced offices. ERV £25,000
Third Floor	Careshield Ltd	3,096 sq ft	5 years	28/04/11	27/04/16	£30,000	£6.45	Stepped rent payable. Fixed increase in rent 28/04/15 - 27/04/16 - £35,000 pa Lease outside the Act.

Property	Tenant	Size Sq ft	Lease Term	Lease Start	Lease Expiry (Break Clause)	Annual Rent £ pa	Rent £ psf	Comments
<b>Sheffield House</b>								
Ground Floor	Box Marketing Ltd	3,105 sq ft	3 years	25/12/13	24/12/16	£40,000	£12.88	Capped s/c of £17,000 pa. Lease outside the Act. Tenant break 25/12/14, requiring 4 months' notice. 3 months rent free if break not exercised. Rent £30,000 yr 2, then reverting to £40,000 yr 3.
First Floor	Ingeus UK Ltd	3,068 sq ft	5 years	08/09/11	07/09/16 (08/09/15)	£27,900	£9.09	Capped s/c of £10,850 pa. TOB at 08/09/15 on 6 months notice. 3 months rent free if not exercised. TOB any time after 08/09/16 on 6 months notice. Lease outside the Act.
Second Floor	Vacant	3,092 sq ft						ERV £25,000 pa. Rateable Value £45,250
Telecoms Mast	O2		10 years	9/10/04	28/10/14	£8,400		Terms proposed for a new 10 year lease (break at 5) at £7,500 pa.
<b>Atlantic House</b>								
Ground Floor	Vacant	3,100 sq ft						ERV £28,000 pa Rateable Value £44,250
First & Second Floors	Plandent Ltd	FF: 3,049 sq ft SF: 3,100 sq ft	5 years	01/08/13	31/07/18 (01/02/16)	£40,000	£6.44	Capped s/c of £32,500 pa. Stepped rent payable. 01/08/13 - 31/07/16 - £40,000 pa 01/08/16 - 31/07/17 - £41,500 pa 01/08/17 - 31/07/18 - £43,000 pa. Lease outside the Act.
<b>TOTAL</b>		<b>40,178 sq ft</b>				<b>£166,300 pa</b>		<b>ERV £321,500 pa. (£8 psf)</b>

## The Serviced Offices

The serviced offices in Maxet House and second floor of Ardent House recorded a turnover of £164,000 during the year to end March 2014, and made a net profit contribution of £6,525, which could be improved upon. Management accounts are available on request. Adding this in to the rent detailed in the schedule above gives a total income from the property of £172,825pa.



## Tenant Covenant Status

We have obtained accounts information from ICC and set out a summary of the key figures below:

Tenant	Accounts year to	Turnover	Pre-Tax Profit	Shareholder's Funds
Disabled Enabled Ltd	31/05/2013	n/a	n/a	£429,000
Caresield Ltd	31/12/2013	n/a	n/a	£9,000
Box Marketing Ltd	31/12/2012	n/a	n/a	£72,000
Ingeus UK Ltd	31/12/2012	£118,382,000	(£3,188,000)	£6,144,000
Plandent Ltd	31/01/2013 (9 months)	£8,696,000	(£2,139,000)	(£4,074,000)
O2				

## Service Charge

The service charge budget for Calendar year 2014 totals £160,912.49, equating to £5.20 per sq ft for Ardent House, Sheffield House and Atlantic House. During the year, the landlord's contribution is currently £80,232 in respect of vacant areas and capped service charge liabilities of tenants. Service charge apportionments are available on request.

## EPC

We have obtained EPC ratings for each of the buildings, which are as follows:

Maxet House C(72)  
 Sheffield House D(81)  
 Atlantic House C(63)  
 Ardent House D(77)



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## Proposal

Our clients are seeking offers in excess of **£1,600,000** for the freehold interest, subject to contract and exclusive of vat, which will show a purchaser an **initial yield of 10.2%**, with potential to **improve to circa 19%** on letting the vacant elements and serviced office element. The quoting terms equate to only £39.82 per sq ft capital cost.

This opportunity offers considerable potential for active asset management, working with existing tenants and new occupiers to enhance income, as well as potentially taking advantage of the fit out of part for a serviced office business which could be managed for a greater income contribution. Alternatively, the combination of location, nature of construction, excellent parking and low capital cost indicate strong potential for conversion to residential, hotel or alternative uses, in particular bearing mind the favourable environment for permitted development rights.



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## Further Information

For further information or to arrange an inspection, please contact the joint agents :

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