

5-13 Bute Street
SOUTH KENSINGTON
London SW7

PRIME RETAIL AND RESIDENTIAL FREEHOLD INVESTMENT

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carpet
interiors

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KITCHENS
D. Doolan
INTERIORS
ROOMS

FL63 VEK



INVESTMENT SUMMARY

- / A rare opportunity to acquire the freehold interest in a dominant retail parade located in the prestigious Royal Borough of Kensington and Chelsea
- / Kensington has a core catchment of 1,034,476 people (source: Experian)
- / First time to the market since 1947
- / Freehold
- / Prominently located property providing in total 6,395 sq ft (594 sq m) with over 65 feet (20 metres) of prime retail frontage
- / Post-war building extending over three floors and comprising four retail units providing 2,406 sq ft (224 sq m) and five independent maisonettes providing 3,989 sq ft (371 sq m)
- / Tenants include Ceru Restaurants Limited, Blue Tanning & Beauty Limited and Carpet Interiors Limited
- / Six leases with two vacant maisonettes
- / Opportunity to extend residential accommodation by 2,326 sq ft (216 sq m)
- / Current income £270,981 per annum with two vacant maisonettes
- / Offers in excess of £8,750,000 (subject to contract)
- / 3.63% Net Initial Yield and 4.5% Reversionary Yield, after deducting standard purchase costs and assuming £1,100 per sq ft for the vacant residential accommodation

NATURAL HISTORY MUSEUM

HYDE PARK

KNIGHTSBRIDGE

SOUTH KENSINGTON

BUCKINGHAM PALACE

VICTORIA

IMPERIAL COLLEGE

SCIENCE MUSEUM

VICTORIA & ALBERT MUSEUM

INSTITUTE FRANCAIS

5-13 BUTE STREET

OLD BROMPTON ROAD

ONSLOW SQUARE



LONDON

As one of Europe's 'global' cities, London performs a broad range of functions: it is a global financial, business and cultural centre, the focus of national government and a major tourist magnet (Source: PMA).

While recent economic strength has been observed across the UK over the past last two years with annual GDP near long-term trend at 2.6%, London continues to lead and outperform the UK average at over 3% pa.

London remains a leading world financial centre. Inner London alone is expected to generate an additional 325,000 jobs in the next five years with the population expected to increase by 250,000. Greater London's population is forecast to grow by 1 million over the next 10 years.

The retail property market in London continues to lead the UK by a wide margin as it is linked more to the international economy than to domestic trade.

Retail rental growth in Central London continues to significantly outperform the rest of the UK with rents rising in 2016 at close to 10% in contrast to the rest of the UK which is only beginning to see positive growth rates in the past year.

This is attributed primarily to the strength of London tourism and the rise in 'retail tourism'. As a retailing location, London is unique in the country in the extent to which it serves not only the resident population but also overseas and domestic visitors as well as a large working population. In the year to Q4 2016, UK tourist numbers reached a record level of almost 35 million, with largely increased visits from Europe and North America. Visits from other countries including China remain strong.



THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

The Royal Borough of Kensington and Chelsea was created in 1965 and is one of the most affluent and densely populated urban areas in the UK. The borough accommodates many of the most expensive and exclusive residential dwellings in Europe. It is home to approximately 18,000 businesses that benefit from being in the midst of the most highly qualified population in the country.

The key employment sectors within the borough include Business Services (16.6% of total employment) and Wholesale & Retail (16.5% of total employment), as well as Real Estate and Personal Service. Employment within the hotels and restaurants sector is also strong in comparison with other London areas.

Key employers within the borough include the Royal Borough of Kensington and Chelsea town council, the Department of Health, Harrods Ltd and the Daily Mail. Kensington High Street is also home to a large part of the British music industry, with the UK offices of Universal Music Group, Sony Music, Warner Music Group and EMI all situated in the area.

The Royal Borough also boasts London's 'Museum Quarter'. The Natural History, Science and Victoria and Albert Museums are all located in South Kensington, while Kensington Palace can be found further north.

Visitors are a significant driver of the local economy, with over £3 billion coming into the borough from non-resident expenditure. The potential for £53.4m of tourist comparison goods

spend places Kensington Royal Borough ninth highest for tourist spend potential amongst all 449 CACI London centres.

Almost half of non-resident spend in the Royal Borough is on retail, not surprising given the locality of some of the world's most exclusive shopping districts: Kensington High Street, the iconic Portobello Road in the north, Knightsbridge in the east and King's Road to the South.

South Kensington benefits from an excellent communications network. The famous South Kensington Tube Station is currently subject to major redevelopment proposals and is served by Circle, District and Piccadilly Lines.

Regular London Bus services provide access to Knightsbridge, High Street Kensington, Kings Road and Hyde Park Corner.

Cromwell Road (A4) is a major thoroughfare into Central London, to the east, and Heathrow Airport approximately 17 miles to the west via the M4 and onto the M25 and national motorway network.



DEMOGRAPHICS

The Royal Borough of Kensington and Chelsea is densely populated with a resident population of 160,000 and a core catchment population of 1,034,476 (Source: Experian).

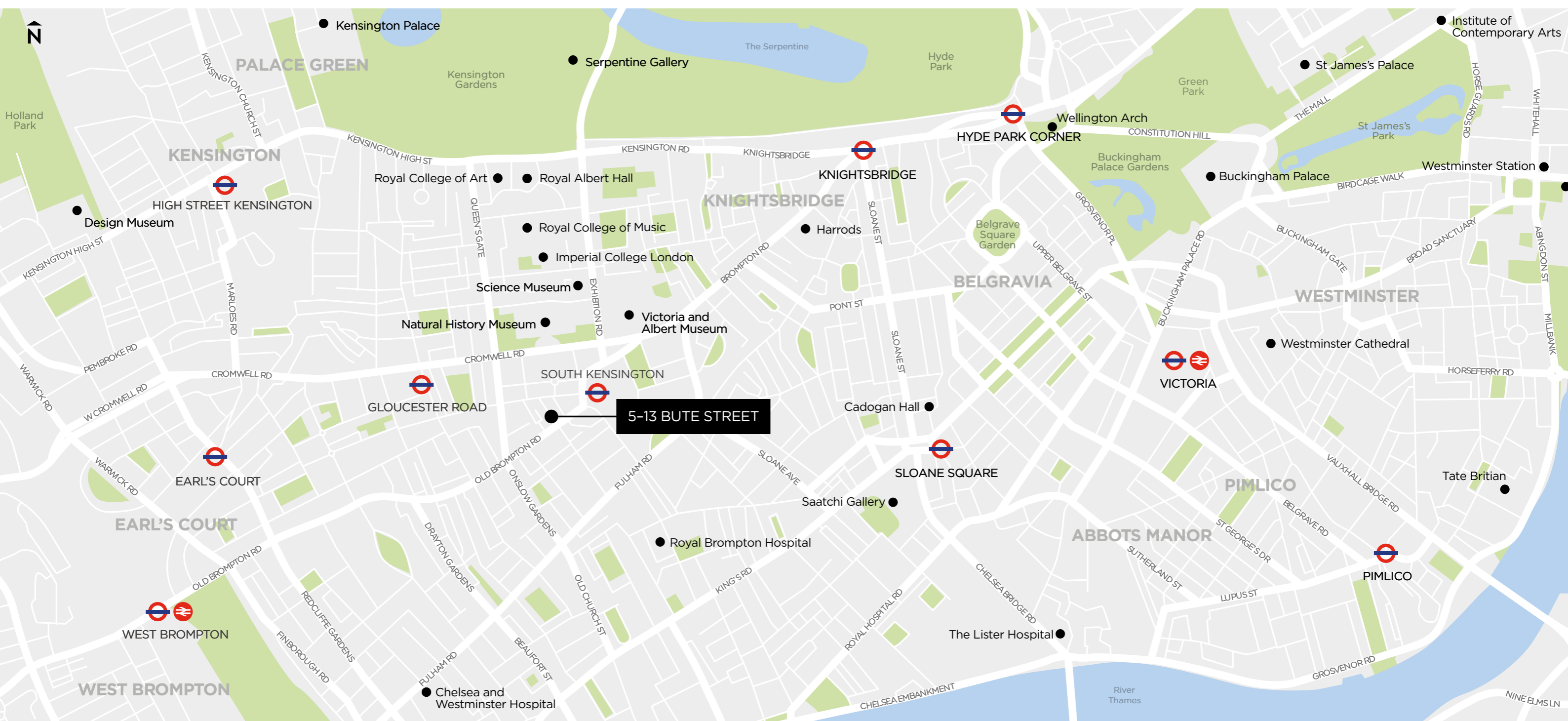
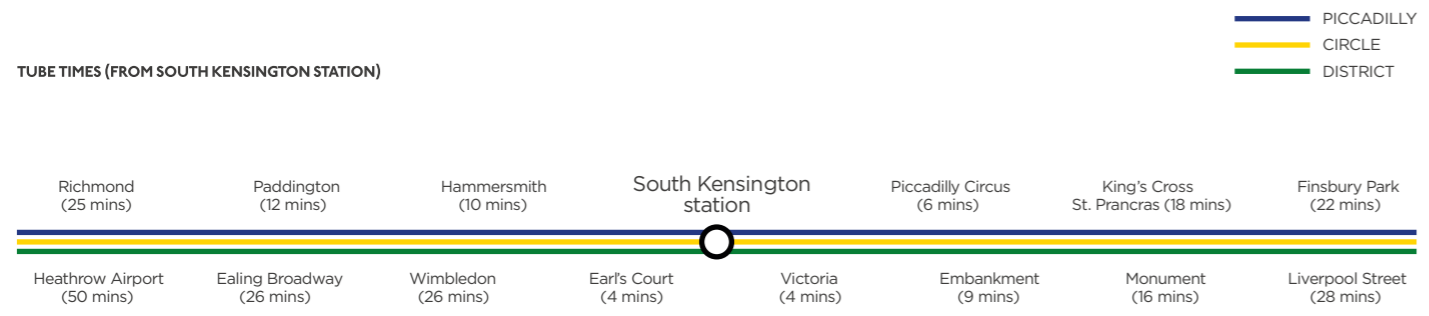
The Royal Borough is dominated by higher/intermediate professionals making up 38.5% of the population for the area compared to the UK average of 21.7% (Source: PMA).

Within the Royal Borough 82% of the population is classified in the most affluent socio-economic Group A City Prosperity (Source: Experian).

Kensington has an estimated per capita comparison goods expenditure of £2,351, ranking it above the Retail Promis average and highlighting the affluence and spending power of the local residents.

Kensington's total catchment population of 4,139,764 people includes a shopper population of 96,176 (Source: CACI). Kensington has witnessed strong population growth and is projected to see above average growth of 1.78% pa until 2024 (Source: Experian).

SITUATION





HARRINGTON ROAD

GLENDOWER PLACE

BUTE STREET

SUMMER PLACE

OLD BROMPTON ROAD

KENDRICK PLACE



SOUTH KENSINGTON

INSTITUTE FRANCAIS CHILDREN'S LIBRARY

HEALTH CLUB
FITNESS FIRST
PARSONS & PARSONS ESTATE AGENT
DEXTERS ESTATE AGENT

MAYSARA GROCER
TAILORING UK
W INTERNATIONAL HAIRDRESSING
SHIKARA INDIAN REST
NAILBERRY NAIL SALON
MOXON'S FISHMONGER
SALLY PARSONS LADIES & MENS WEAR

DOUGLAS & GORDON EST AG
SIX PIEDS SHOES
C A MCMILLAN ART GAL (RET)
AROMA ITALIA ITALIAN REST
PIZZETTA PIZZA REST
NAILSPA
BEAU SAL
RAISON D'ETRE CAFE
TRINITY HOSPICE CHARITY SHOP
ODDONO'S ICECREAM PARL
PIZZA ROMA TAKE AWAY
ALLURE HAIRDRESSING
ROTISSERIE BUTE STREET FRENCH REST
MOTI MAHAL INDIAN RESTAURANT
NATURAL HEALTH CENTRE FOOD
LA BROCHIE CAFE

D'NOMYAR INT DECOR
CERU MIDDLE EASTERN RESTAURANT
TANNING SHOP SOLARILUM

VACANT CAR SALES
WRIGHT BROTHERS SEAFOOD REST
TONI & GUY HAIRDRESSING
BELLA ITALIA RESTAURANT

TESCO EXPRESS STORE
CONVENIENCE STORE

AMERICAN HAIR
CLO & FLO
UNDY ALTN DWELLING

PETER D BRADFIELD CAR SALES
STATIONER
CAFFE NERO
JAPANESE REST
COCO CASH EXPRESS NEWSAGENT
VINI ITALIANI
ODDBINS
OFF LICENCE
KENSINGTON SOUTH PHOTO COPYING
SUTTONS & ROBERTSONS PAWNBROKER
G & G
CACCIARI'S ITALIAN RESTAURANT

CHRISTIE'S AUCTIONEERS & V
CORAL BETTING OFFICE
ROCCA ITALIAN RESTAURANT
ENTRANCE

BARNABY PLACE 1A
WORKS
DWGS

THE HUMMINGBIRD BAKER
DWELLINGS
DWELLING

RENE AUBREY HAIR
POST OFFICE
HARLEY'S PHARMACY
BALANCE NATURAL THERAPY
RBS BANK
LAMBORGHINI CAR SALES
WASABI JAPANESE RESTAURANT
LILLY COFFEE SHOP
STARBUCKS COFFEE SHOP
PRET A MANGER
SANDWICH BAR
PRONTAPRINT PRT&PHCPY
FLIGHT CENTRE TRAV AG
CARLUCCIO'S ITALIAN RESTAURANT

HR OWEN CAR SALES

19A 19 17A 17 15 15 13 11 9 7 5 3 1 2
DICKY GORD
KOSKARI STREET T/A
BANK
MONTIZUMA
VERITY SMITH BEAUTY SALON
WATTE OHOUX HOTEL
HARRINGTON COURT
SQUIREL TAKE AWAY
CHINES MUIS INSTASH MUIS
BOOKS
LIBRAIRIE LA PAGE
ENTRANCE
CAFE FLORIS
KHAN'S INDIAN RESTAURANT
CHINESE RESTAURANT
JIA BUS SERV
ENT
JOY OPT
8-4
SUSHI SHOP TAKE AWAY
10-12
TRAVEL GOODS
GALLOPS RESTAURANT
SCOOOP ICECREAM PARL
ENT
BARCLAYS BANK
ENT
20-24
20-22
HEALTH CRAZE HEALTH FOOD
MAIL BOXES ETC
BUSINESS SERVICES
THE ENT
BROMPTON HOTEL & JANET'S BAR
WILLIAM HILL
BETTING OFFICE
ENT
SNAPPY SNAPS FILM DEV
ENT
34

MURIEL'S KITCHEN BRITISH REST
SHIRT STREAM D/C
BONANZA CONV STO
TREATS TAKE AWAY
ATM
FOTOFAST FILM DEV
SOUTH KENSINGTON STATION
ENT
STICKLAND PHARMACY
ENT
FINLAYS CTN
HEART OF LONDON GIFTS
GILDING THE LILY FLOR

DESCRIPTION

The subject property comprises a parade of four retail units with five independently accessed maisonettes above. The property was built post-war along with the whole of Bute Street to provide a unique London village environment.

The building is of a traditional load-bearing masonry construction with a concrete ground floor and suspended block and beam concrete first and second floors. The entire flat roof is covered with bitumen roof felt.

A total of 2,406 sq ft (224 sq m) net internal retail accommodation is arranged over three well configured retail units and a substantial double restaurant unit all to a depth of 12.5 metres (41 feet) over ground floor only.

The five maisonettes are all accessed separately from Bute Street and arranged over first and second floors. Each maisonette has a similar spacious layout with living and kitchen facilities at first floor and two good sized bedrooms and bathroom facilities at second floor. At first floor there is access to private external terraces. The total residential floor space is 3,989 sq ft (371 sq m) gross internal.

A detailed breakdown of the floor areas is provided in the schedule of accommodation.



THE SUBJECT PROPERTY COMPRISES A PARADE OF FOUR RETAIL UNITS WITH FIVE INDEPENDENTLY ACCESSED MAISONNETTES ABOVE



FLOORPLANS

NO. 5 NO. 7-9 NO. 11 NO. 13



BUTE STREET

GROUND FLOOR

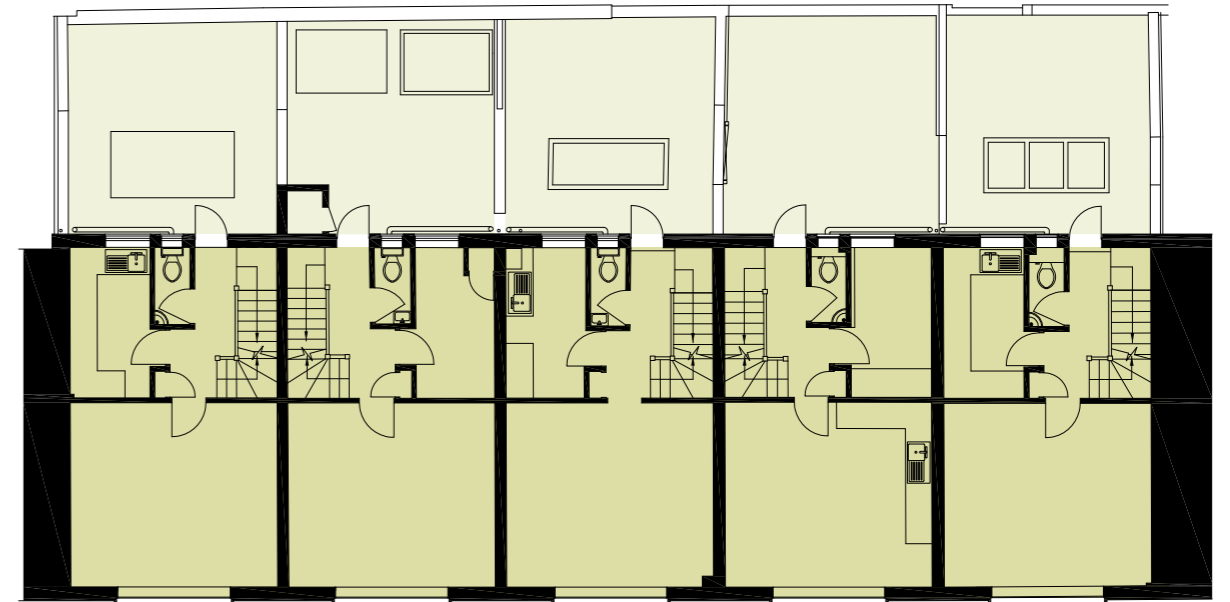
KEY

Residential units

External Terraces

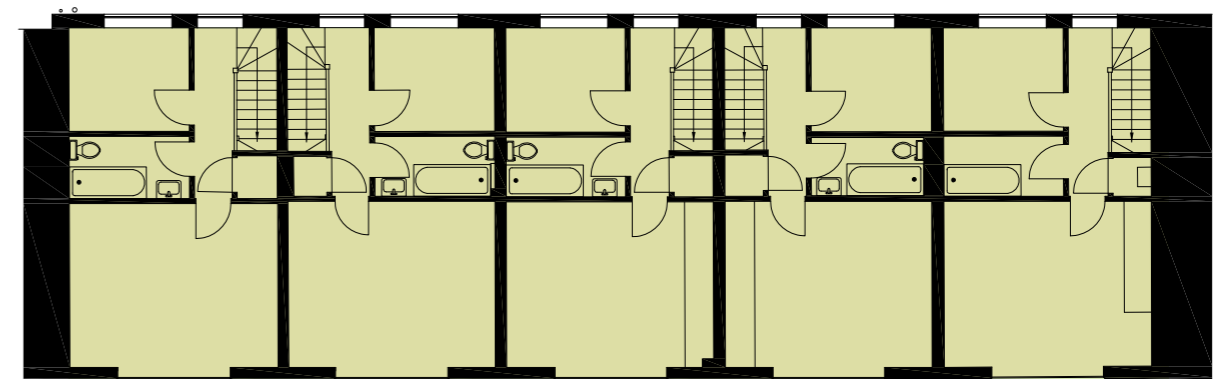
Retail units

NO. 5a NO. 7a NO. 9a NO. 11a NO. 13a



FIRST FLOOR

NO. 5a NO. 7a NO. 9a NO. 11a NO. 13a



SECOND FLOOR

ACCOMMODATION AND TENANCIES

The property has been measured by Gryphon Surveys and is let in accordance with the tenancy schedule below on full repairing and insuring terms:

Unit	Use	Tenant	Floor Area (sq ft)	ITZA (Units)	Lease Start	Rent Review	Lease Expiry	Rent	ITZA	ERV	ITZA	Comments
5	Retail	The Feel Good Group Ltd (T/A Blue Tanning & Beauty Ltd)	475	342	21.05.13	21.05.18	20.05.23	£34,000	£96 ZA	£48,000	£140 ZA	
7 & 9	Restaurant	Ceru Restaurants Ltd	977	715	01.12.16	01.12.21	30.11.36	£100,000	£140 ZA	£100,000	£140 ZA	Rent topped up from £80k pa until 01.12.17 then £95k pa until 01.12.18 stepped rent
11	Retail and Residential	Mr & Mrs Taheri (T/A D'nomyar)	Ground Floor: 467 Residential: 803	338	24.06.09	24.06.19	23.06.29	£47,500		£77,300	£140 ZA & £30,000 Residential	Tenant only Break Option 24.06.19
13	Retail	Carpet Interiors Ltd	487	358	29.09.00		29.09.20	£33,500	£94 ZA	£50,000	£140 ZA	
Retail - Subtotal			2,406 NIA					£215,000		£275,300		
5a	Residential	P Touna, B Russo, E Sakka	791	N/A	20.06.16		19.06.18	£27,300		£30,000		AST Lease Two Bed Maisonette 2nd and 3rd Floor
7a	Residential	Vacant Unfurnished	803	N/A						£30,000		Two Bed Maisonette 2nd and 3rd Floor
9a	Residential	Vacant Unfurnished	800	N/A						£30,000		Two Bed Maisonette 2nd and 3rd Floor
13a	Residential	M McMillan & Sons Fine Art Ltd	792	N/A	28.08.17		27.08.18	£28,681		£30,000		Company Let subject to 3 month rolling mutual break option. Two Bed Maisonette 2nd and 3rd Floor
Residential - Subtotal			3,989 GIA					£55,981		£120,000		
Grand Total			6,395					£270,981		£395,300		

MARKET COMMENTARY

RETAIL

The Royal Borough of Kensington and Chelsea boasts a number of well known retail locations such as Kings Road and High Street Kensington. These areas are of critical importance to the wider London retail market. The Royal Borough benefits from a substantial concentration of wealth from the local resident community and significant tourist and domestic visitors.

The retail offer in South Kensington does not reflect the affluence and sense of the wider area or a major central London location. Given the prime location, affluent surrounding area and the substantial footfall, there is a significant opportunity to enhance the retail provision and create a unique offer.

Retail rental values in the Royal Borough of Kensington and Chelsea range significantly. The current rental tone in South Kensington is £270 Zone A. 23 Old Brompton Road was let in June 2016 to Illy Coffee at £250 Zone A. The recent letting to Ceru Restaurants in the subject property devalues to £140 Zone A, a significant discount to rents in nearby locations. Retail values by Sloane Square station are currently £550 Zone A, by Knightsbridge station they are £850 Zone A, and £1,100 Zone A on Oxford Street. Both Sloane Square and Brompton Road have a larger concentration of retail premises therefore retail focus is greater which leads to higher rents. This demonstrates the potential retail rental growth South Kensington could experience with a more cohesive retail strategy.



INVESTMENT COMPARABLES

Date	Address	Tenant	Tenure	Purchase Price (£)	NIY (%)
Q1 2017	88 Cromwell Road, SW7	Pizza Express	Freehold	5,200,000	3.66
Q1 2017	383 King's Road, SW10	Chicmama	Freehold	5,850,000	4.07
Q4 2016	63 Putney High Street, SW15	Paperchase	Freehold	4,220,000	4
Q4 2016	37-39 St Johns Hill, SW11	Starbucks	Freehold	4,550,000	2.6
Q4 2016	600-606 Kings Road, SW6	Various Independent Retailers	Freehold	9,580,000	3.48
Q3 2016	60 Parsons Green Lane, SW6	Co-Op and Le Pain Quotidien	Freehold	6,370,000	3.75
Q2 2016	168-174 Kensington High Street, W8	Kathmandu, Columbia Sportswear & Wilko Retail	Freehold	19,000,000	4.2
Q2 2016	143 Kensington High Street, W8	Thomas Exchange Global	Freehold	4,000,000	3.75

RESIDENTIAL

The Royal Borough of Kensington and Chelsea has some of the most valuable properties in the UK resulting in a long-standing international reputation for being an exclusive and secure area to purchase property. Further to this the historic make-up of the Borough's property, 70% of the area falling within a Conservation Area planning restrictions, results in limited opportunities for new build development.

The subject property is not located in a Conservation Area.

A small number of luxury residential developments have been completed within Kensington in recent years, successfully achieving record breaking prices for the area due to the rare

combination of new build specifications and prime Kensington locations.

21 Harrington Road, SW7 3EU is a new build high quality scheme of 6no. x 2 bed apartments, where units have achieved approx. £2,000 per sq ft. Good quality second hand stock trades at only a slight discount to prime values (approximately £1,500 per sq ft) due to the shortage of supply and good quality refurbishments.

15 Bute Street, a fully refurbished 2 bed apartment sold in May 2017 at £1,500psf.

Rental demand in the area remains extremely strong from a diverse audience.



TENURE
Freehold.



DEVELOPMENT POTENTIAL

Located within the Royal Borough of Kensington and Chelsea the property is not listed or located in one of the many conservation areas in the vicinity.

In line with the recently constructed 1st, 2nd and 3rd floor residential extensions at 16-26 Bute Street the same Architects, Rodic Davidson have drawn up a similar scheme at the subject property in the light of our independent Planning and Rights of Light Reports. All of these reports including Massing Drawings and a full measured survey are available on our Data site.

The scheme adds a total residential gross internal area of 2,326 sq ft arranged in five three bedroom independent apartments.



DEVELOPMENT SCHEME BUTE STREET VIEW

16-26 Bute Street



DEVELOPMENT SCHEME REAR VIEW

CGI upper floor development potential



EPC

Energy Performance Certificates are available on request.

VAT

VAT will be payable on the purchase price. It is anticipated that the sale will be dealt with as a transfer of a going concern.

DATA SITE

A data-site is available on request and includes the following information:

- Legal Pack
- CPSEs
- Local searches
- Planning report
- Measured survey (CAD & PDF)
- EPCs
- Residential Development Plans
- Rights of Light Survey

PROPOSAL

Our client is seeking offers in excess of **£8,750,000 (Eight million seven hundred and fifty thousand pounds)** for their Freehold interest, subject to contract and exclusive of VAT. A purchase at this level reflects the following yield profile, after deducting purchase costs and assuming £1,100 per sq ft for the vacant residential accommodation:

- **3.63% Net Initial Yield**
- **4.5% Reversionary Yield**



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FURTHER INFORMATION

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