SINGLE LET CITY CENTRE OFFICE INVESTMENT
CHEQUERS HOUSE, 77-81 NEWMARKET ROAD, CAMBRIDGE, CB5 8EU
**Investment Summary**

- Newly refurbished office building in Cambridge city centre

- The property provides 817.62 sq m (8,801 sq ft) on a total site of 0.24 acres (0.098 hectares)

- New FRI lease for an unbroken 15 year term

- Income of £229,000 per annum equating to £26.00 psf

- Compelling growth prospects for Cambridge city centre offices

- Offers are sought in excess of £3,908,000 (three million, nine hundred and eight thousand pounds), subject to contract and exclusive of VAT. A purchase at this level would reflect a net initial yield of 5.50% allowing for standard purchaser’s costs of 6.53%.
Location
Cambridge is a city renowned worldwide for its history, ancient architecture and huge cultural appeal. It is one of the UK’s principle tourist locations, for both domestic and overseas visitors and is also an important location for the UK’s research and development sector. This is reinforced by AstraZeneca’s decision to build its new £330m headquarters in Cambridge, due to be completed in 2017 which will bring 2,000 staff to the city.

Situation
Chequers House is situated on the northern side of Newmarket Road, close to its junction with the A603/A1134 inner ring road. The city centre is approximately half a mile to the west of the property and the revitalised Grafton Shopping Centre is directly opposite. The property sits just to the south of the River Cam and is a short walk to the open spaces of Midsummer Common.

Cambridge mainline train station is a 20-minute walk and the property is easily accessible by car via the A1134 and A603 which link to the M11 to the west and A14 to the east.

ECONOMY
In the Centre for Cities, Cities Outlook 2015 report, Cambridge is ranked in the UK:
• 1st for Innovation with 65.6 patents granted in 2013 per 100,000 residents - this was more than 3.5 times the next most innovative city.
• 1st in terms of the highest proportion of highly skilled workers with just over 65% of its population with high level skills.
• 2nd for the largest increase in affordability ratios at 5.6% between 2004 and 2014.
• 3rd for employment growth of 15.7% between 2004 and 2013.

TRANSPORT
• Road: 62 miles north of central London. At the junction of the M11 and the A14 which links the Port of Felixstowe to the east with the M1 and M6 to the west.
  • The Government has committed up to £1.5bn to improve the A14 between Cambridge and Huntingdon. (Source: www.highways.gov.uk)
• Rail: Fastest journey time of approximately 45 minutes to London King’s Cross station.
• Air: Stansted Airport is located approximately 28 miles south at Junction 8 of the M11 (with rail connection).
• Bike: New ‘state of the art’ 3,000 space cycle park for station.

TRAVEL TIMES VIA RAIL
• King’s Cross Station: 45 minutes
• Liverpool Street Station: 1 hour 10 minutes
• Stansted Airport: 31 minutes
• Heathrow Airport: 1 hour 55 minutes

DISTANCE VIA ROAD
• Cambridge city centre: 0.5 miles
• M11 (Junction 11): 3 miles
• Stansted Airport: 28 miles
• M25/M11 (J27): 39 miles
• Central London: 62 miles
Description
Chequers House comprises a modern three storey office building constructed during the late 1980s with 30 on-site car parking spaces, including 1 disabled bay (1,293 sq ft). There are two bike racks on site, each with capacity for 11 bikes (22 in total).

The premises are brick built with a pitched tiled roof providing accommodation on ground, first and second floors.

The internal specification is currently undergoing a full refurbishment to include new raised access floors and coverings, modern LED office lighting in suspended ceilings, a full electrical rewire inclusive of floor boxes and distribution and VRF air-conditioning system and renewal of WC facilities.

The tenant is also undertaking its own improvements to include new shower provision, new staff canteen and breakout spaces, cellular offices, meeting room and quiet space. The building has one eight-person passenger lift and male and female WC facilities on each floor. The building also benefits from a full height atrium which creates an impressive entrance area. It is anticipated the refurbishment will be completed in early December 2016.
Tenure
Freehold.

Tenancy
The property is occupied in its entirety by Ashtons Legal (also known as Ashton KCJ). The new lease is vested in four individual partners: Edward O’Rourke, Alan Brown, Michael Frape and Magnus McManus.

The property is to be let on a new 15 year FRI lease from completion of the Landlord and Tenant works. Completion is currently due in early December 2016. The agreed rent is £229,000 per annum exclusive and subject to 5 yearly upwards only market rent reviews. The rent equates to £26.00 psf overall.

An 18 month rent free period has been granted from the commencement of the lease (to be topped up from the date of completion by the Vendor).

Ashtons operate throughout East Anglia, with offices in Bury St Edmunds, Cambridge, Felixstowe, Ipswich, Norwich and Thetford. The firm provides a full range of legal services for individuals and businesses. Ashtons is ranked 122nd out of the top 200 UK law firms, has 37 partners and a reported revenue of £16.54m. The company has occupied Chequers House for 26 years, since the building was constructed.
## Accommodation

The property has been measured in line with the RICS Code of Measuring Practice (6th Edition) and will provide the following proposed Net Internal Area (NIA) following refurbishment:

<table>
<thead>
<tr>
<th></th>
<th>sq m</th>
<th>sq ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrance Lobby</td>
<td>18.63</td>
<td>201</td>
</tr>
<tr>
<td>Ground</td>
<td>107.215</td>
<td>1,154</td>
</tr>
<tr>
<td>First</td>
<td>347.96</td>
<td>3,745</td>
</tr>
<tr>
<td>Second</td>
<td>343.81</td>
<td>3,701</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>817.615</td>
<td>8,801</td>
</tr>
</tbody>
</table>

N.B. The above are assignable measured areas.
N.B. Plans include tenant fit out.
Market Commentary

The Cambridgeshire office and lab market comprises around 8 million sq ft of accommodation. Prime office rents in the city centre have now achieved £36.50 per sq ft. With limited supply of Grade A accommodation, quality second hand space is achieving rents of £32.50 per sq ft and lesser quality second hand space has reached rents of £24.00 per sq ft.

Annual growth over the past 10 years has averaged 4.5% for prime rents and 5.8% for good secondary rents.

Office take-up for 2015 was recorded at 1.2 million sq ft compared to an annual average of circa 600,000 sq ft since 2005. Supply of good quality accommodation continues to fall with very limited availability. Occupier demand remains robust with over 1.4 million sq ft of active requirements for the market.

2015 was a particularly strong year with 'take up' increasing by a considerable margin. Across the commercial sector in Cambridge, demand has been rising taking rents in an upwards direction as availability has significantly decreased. Grade A availability sits at 1% of the total availability of 700,000 sq ft.

This demand pressure is only anticipated to increase when older existing office stock is redeveloped for residential or student uses.

It is predicted there will be further “bounce” demand when ARM and AstraZeneca get closer to practical completion of their new HQs. These companies attract support industries and service industry expansion.

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Office &amp; Lab Take up (sq ft)</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
<td>335,700</td>
</tr>
<tr>
<td>2009</td>
<td>313,700</td>
</tr>
<tr>
<td>2010</td>
<td>361,000</td>
</tr>
<tr>
<td>2011</td>
<td>468,100</td>
</tr>
<tr>
<td>2012</td>
<td>363,800</td>
</tr>
<tr>
<td>2013</td>
<td>600,200</td>
</tr>
<tr>
<td>2014</td>
<td>713,000</td>
</tr>
<tr>
<td>2015</td>
<td>1.2 million</td>
</tr>
</tbody>
</table>
City Centre Market
Cambridge is a relatively small historic university city that has expanded substantially in the last 40 years. The nature of the original city has prevented a definable central office core. However, the CB1 development at Station Road together with Hills Road provides the largest agglomeration of office accommodation, with further headquarters style buildings located along the main highways such as Newmarket Road and Trumpington Road.

Assuming the growth forecast with the development of CB1 and AstraZeneca’s offices, there are considerable prospects for rental growth at Chequers House as the tone of city centre offices increases. Bidwells office rental statistics show the following year on year growth, with good secondary rents rising at a faster rate than prime rents in recent years:

<table>
<thead>
<tr>
<th>Annualised Growth (£p.a.)</th>
<th>Prime rents</th>
<th>Good secondary rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Year</td>
<td>2.4%</td>
<td>5.1%</td>
</tr>
<tr>
<td>5 year</td>
<td>3.7%</td>
<td>11.5%</td>
</tr>
<tr>
<td>10 year</td>
<td>4.5%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>
Investment Market

There is continued high demand for single-let offices with long term, secure income situated in strong locations. Properties that benefit from defensive fundamentals are in short supply and therefore pricing remains competitive. Cambridge in particular, with such strong rental growth in this sector, is a sought after location for investment.

<table>
<thead>
<tr>
<th>Date</th>
<th>Building</th>
<th>Town</th>
<th>Tenant</th>
<th>Term Certain (Years)</th>
<th>Price</th>
<th>NIY</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Offer</td>
<td>8 Bedford Park</td>
<td>Croydon</td>
<td>Superdrug Plc</td>
<td>10</td>
<td>c.26m</td>
<td>c.5.08%</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>Sep 16</td>
<td>3 Ely Road, Milton</td>
<td>Cambridge</td>
<td>Nokia</td>
<td>9</td>
<td>£6.125m</td>
<td>6.21%</td>
<td>Confidential</td>
</tr>
<tr>
<td>Aug 16</td>
<td>Wey House</td>
<td>Guildford</td>
<td>Stevens &amp; Bolton</td>
<td>10.8</td>
<td>£22.65m</td>
<td>5.10%</td>
<td>Guildford Borough Council</td>
</tr>
<tr>
<td>Jun 16</td>
<td>Kier Construction HQ</td>
<td>Loughton</td>
<td>Kier Ltd</td>
<td>15</td>
<td>£6.5m</td>
<td>5.44%</td>
<td>Salaft Properties</td>
</tr>
<tr>
<td>May 16</td>
<td>Abbvie House</td>
<td>Maidenhead</td>
<td>Abbvie Ltd</td>
<td>9.8</td>
<td>£24.6m</td>
<td>5.43%</td>
<td>Rasmala Plc</td>
</tr>
<tr>
<td>March 16</td>
<td>Horizon Building</td>
<td>Gloucester</td>
<td>Horizon</td>
<td>15</td>
<td>£16.4m</td>
<td>5.44%</td>
<td>Private Investor</td>
</tr>
<tr>
<td>Nov 2015</td>
<td>Kett House</td>
<td>Cambridge</td>
<td>Eversheds</td>
<td>4</td>
<td>£20.35m</td>
<td>4.69%</td>
<td>Kames Capital</td>
</tr>
</tbody>
</table>

EPC Rating
The property has been given a current EPC Rating of C67. This is likely to improve on completion of the works.

VAT
The property is elected for VAT and as such VAT will be payable on the purchase price. It is anticipated that the sale will be treated as a Transfer of a Going Concern (TOGC).

Proposal
Offers are sought in excess of £3,908,000 (three million, nine hundred and eight thousand pounds), subject to contract and exclusive of VAT. A purchase at this level would reflect a net initial yield of 5.50% allowing for standard purchaser’s costs of 6.53%.

Further Information
Please contact Bidwells for access to the data room or should you wish to make an inspection:

Andrew Groves
DDI: 020 7297 6274
andrew.groves@bidwells.co.uk

Katherine Ilett
DDI: 020 3761 3633
katherine.ilett@bidwells.co.uk

Bidwells
25 Old Burlington Street
London W1S 3AN
Tel: 020 7493 3043

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