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Ref: PD/ph

Dear Melissa

Liongate, Ladymead, Guildford, Surrey GU1 1AT

As requested please see set out below a summary of the activities undertaken prior to and during the marketing of the freehold interest of above property.

The aim of the process was to undertake sufficient due diligence to enable a wide scale marketing campaign that was backed up with a comprehensive package of data, which would enable informed bids from interested parties.

Interest and bids were encouraged from different use types to establish open market values for these alternative uses and the bidding process employed developed the competitive tension to deliver best consideration.



Background

Liongate is a late 1980's office building situated on Ladymead and adjacent to the Stoke Intersection, which is the main access point from the A3 into Guildford. It comprises some 43,000 sq. ft. (Net Internal) of offices, mainly on three floors on a site of approximately 1.36 acres.

The property was leased to Honeywell UOP at a rental of £980,000 per annum and was subject to a tenant break clause in September 2019 which was exercised as the property was much larger than the business needed. Honeywell moved the Guildford operation into surplus space it had in Bracknell.

Liongate is very prominently positioned alongside the A3 and Ladymead at the Stoke intersection, which is the main vehicular access into central Guildford. However, this location is not convenient for office based staff as there is virtually no local amenity and it is poorly positioned for public transport, being more than one mile from Guildford mainline station.

The building is very heavily partitioned to create private offices and meeting rooms and the current layout would not suit a contemporary office occupier. There is undercroft and surface parking for 126 cars.

Liongate is now looking very dated and on inspection feels like a property of its time and not one which the modern business user would be inspired by. Also, as the property is now thirty years old, both M&E plant and finishes will be reaching life expiry and the building would require substantial investment before being capable of new occupation for office use.

Furthermore, the office market is undergoing significant structural change and the demand for large HQ office buildings such as Liongate is diminishing. The departure of major corporate occupiers from Guildford including Honeywell, Sanofi and Ericsson is a clear demonstration of this new environment.

Demand is now generally for smaller space areas in well located buildings with good access to amenity and transport links.

Planning

There are two key planning related factors which impact on the potential for alternative uses for the Liongate building/site and therefore the value which can be achieved for the property.

Firstly, the site is predominantly within Flood Zone 3B where 'more vulnerable' developments are generally not permitted by the EA. New residential development would be classified as 'more vulnerable' would not be permitted within Flood Zone 3B.

Also, in the newly adopted Local Plan the site is designated as a Strategic Employment Site. The site would therefore need to be actively marketed for a period of two years for offices, retail, warehousing and/or other suitable employment generating use, without success, before alternative non employment uses might be considered by the planning authority.

Pre-Marketing

To achieve best value in the sales process it is advisable to go to market with a comprehensive package of information regarding the property so there are as few unknowns as possible. This then means that the prospective purchasers are armed with sufficient information to make deliverable bids and that a transaction is less likely to be de-railed during the legal process by previously unknown information.

The due diligence included collating and commissioning the following:

- Topographic Survey
- Full measured survey of the building and production of detailed CAD plans
- Flood Risk Scoping Report
- Flood risk Assessment
- Photography including aerial

- Utilities Survey
- Title Report
- EPC
- Asbestos Report

Marketing

The marketing campaign was designed to widely expose this development opportunity to market and was based a combination of internet promotion and direct contact with potential purchasers.

The marketing timeline was planned to tie in with the exit from the property by Honeywell and was as follows:

September 2019 - For Sale board erected, particulars produced and released to investors/developers. Property details live on the LSH website and other key property web sites – Rightmove, Zoopla, Co-Star, EGi, Realla etc.

October 2019 - Registering interesting from 65 parties, granting access to the data room to 39 interested parties, accompanying viewings of the property with 18 interested parties (viewings taking place between 3rd October and 11th November).

November 2019 – Invite bids from interested parties by Thursday 14th November 2019. Twelve bids received. Review and clarify bids and invite best and final bids for the five highest bidders by Monday 25th November 2019.

Bids Received

The Bid Summary Schedule, dated 17th November, is attached and sets out details of the initial bids received.

These bids ranged from £5.0 million for a subject to planning bid from Lok'nStore for self-storage use to £11.1 million for a subject to planning bid from Signature Senior Lifestyle for a 93 bed new build care home.

The bids were presented Investment Property Fund Management Group (IPFMG) and it was agreed that only unconditional bids should be perused as there were very significant planning risks around the delivery of subject to planning offers. Particularly the Strategic Employment Site designation and also that the property is situated in Flood Zone 3B.

The time it might take to secure a planning consent, was also a factor when the proposed use is not compliant with Local Plan and the cost implications of this when business rates exposure alone is circa £500,000 per annum for GBC.

A revised bid request letter was submitted to Signature, Equinox, OCEA, Shaviram and BSD seeking unconditional offers that were not subject to third party debt. Responses were as follows:

Signature - declined to submit a revised bid and said that their £11.1 million bid needed to be conditional on planning.

Equinox – Resubmitted their original £10.7 million bid which was still subject to bank finance. This party had not viewed the property and in seeking clarification to their bid, they submitted a development appraisal that showed a reliance on gaining planning consent for a substantial additional amount of floor space on the site.

OCEA – Increased their bid from £9.51 million to £9.62 million and dropped the requirement to dis-apply the VAT.

BSD – Increased their bid from £9.5 million to £10.1 million and provided evidence of cash reserves to fund the purchase.

Shaviram – Increased their bid from £9.0 million to £10.00 million but conditional on environmental and building surveys.

It was agreed that we should exclude Signature's planning conditional bid as planning for the proposed use was unlikely to be achieved. Even if it was, any potential price advantage would be wiped out by the holding costs during the time it would take to secure the planning.

The Equinox bid was dismissed as being unreliable and unlikely to be delivered as they have not viewed the property, despite claiming to have done so and was still subject to raising bank debt. The development appraisal showing the requirement for more floor space to support the bid level was also of major concern.

The OCEA bid was a well-researched and a clean unconditional bid from a credible buyer but now somewhat off the pace.

Shaviram had increased their bid but were not able to demonstrate any significant level of due diligence and the conditionality of the surveys was a concern.

BSD had delivered the highest unconditional bid were a cash buyer and had inspected the property on three occasions with their professional team. It was therefore agreed that they were the preferred bidder.

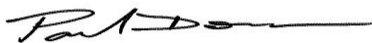
Solicitors were instructed accordingly and it is expected that the sale will exchange this week.

Best Consideration

LSH has undertaken a comprehensive marketing process and we have received bids for a variety of use types from both conditional and unconditional buyers. This has shown how different sectors value the property.

We are confident that the transparent and competitive bidding process has secured best consideration for the property and that the price of £10.1 million is a very good result for GBC and in excess of our original expectations for the property.

Yours sincerely



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