

view

AN EXIT STORY FROM RIVERSIDE CAPITAL

EC1Y 4YY
76,330 SQ. FT
£31.3M BUY
£48.25M SELL



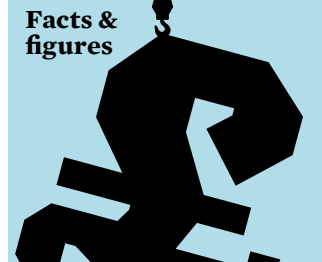
How we connected
two neighbourhoods
on Chiswell Street.

In this edition we share how market foresight and an assertive location play can produce amazing results. This is our exit story of 21-24 Chiswell Street.

Regulars

04-05

Facts & figures



Features

06-07

The knowledge



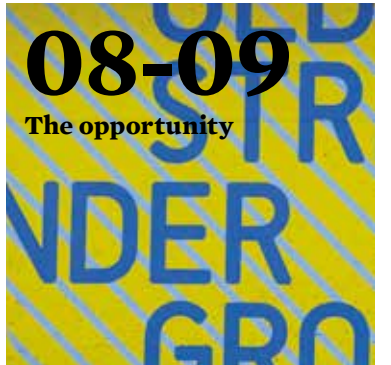
10-17

The location



08-09

The opportunity



18-19

The asset



20-25

The refurbishment



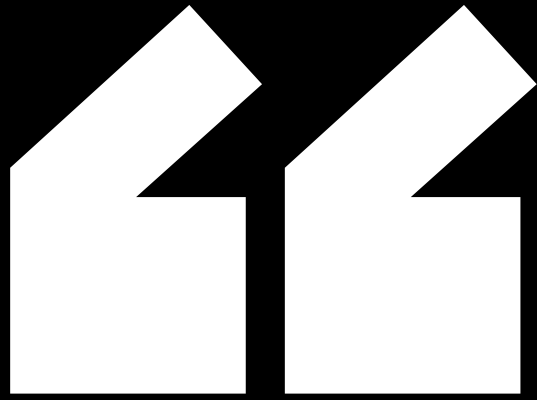
28-29

Conclusion



As the City expands we place Chiswell Street on the map  p14





Seeing is believing. When it comes to the impact that large scale development can have on an area, investors may have an idea about potential growth, but few realise the scale of change and increase in value until it happens. In the fast moving world of property investment, by that point, it's too late.

Everybody knows that an infrastructure project can change a location dramatically, but the extent of the upside is often far greater than anybody imagines. We have the foresight – and the track record – to anticipate the nature of this growth and to create significant returns over a short period of time for our investors.

21-24 Chiswell Street had both large-scale development and Crossrail just around the corner. The growth achieved on the back of these factors alone makes it one of our best examples of how a shrewd location play can produce impressive results.”



Dominic Wright
Group Chief Executive
Riverside Capital



AREA
76,330 SQ. FT.



PROFIT
£17M



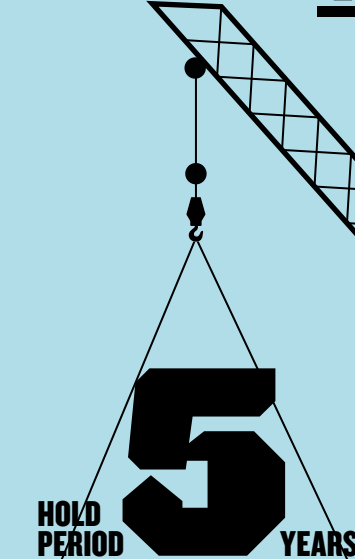
SALE PRICE
£48.25M



REFURB COST
£2.2M



PURCHASE PRICE
£31.3M



HOLD PERIOD
5 YEARS

Pin-point accuracy

The location factor is key in property investment, especially when combined with timing. Riverside Capital has a track record in being the first to spot and invest in locations that offer significant potential.

We have been able to build that track record because we have a team on the ground looking at new investment opportunities in the UK and Channel Islands. Pin-pointing potential in a location is not about just analysing a town or city at a macro level; driving above-market returns is all about the micro.

What sub-market?
What block?
What street?
What building?
What timing?
Infrastructure projects?
Game-changing developments?
What's cool?
What's next?

?

Knowing the answers to these questions is what gives us the edge and the ability to see opportunities ahead of our competitors even in the most prime locations including Mayfair, Victoria, the City, Stratford, Battersea, Euston, Soho and the list goes on.

21-24 Chiswell Street is one of our best examples of how in-depth micro knowledge about a location can deliver exceptional returns.



The magic number

We always look for three elements when sourcing new investments; location, income and security.



1. Location

With various developments in the pipeline set to enhance the area's profile, the location was our key value-add play. In the time from purchase to exit, perceptions of the building's location have been reformed from City "fringe" to "centre", subsequently boosting Chiswell Street's status to Prime.



2. Income

With 80% of the building let to tenants on medium term leases at the time of purchase, income from the building was strong. We saw the empty floors as an opportunity to perform minor refurbishment works and let improved space into a rising market.



3. Security

The asset benefitted from good covenant strength at the point of purchase, with the likes of RBS, UCL and Czarnikow, one of the world's principal sugar traders, in residence. Following refurbishment, we brought in Smilepod, Freedom Clinic, Omnilife, Tesco and Apprentice winner, Dr Leah.





Colliding worlds

Sitting just North of the City of London, Chiswell Street was considered by the majority as outside of the property hotspot and firmly within the City ‘fringe’ We, however, could see that the traditional boundaries were shifting. 📍

Neighbourhood watch

At the time of purchasing the asset, the development of Crossrail and its two nearby stations, Liverpool Street and Farringdon, was firmly underway. Ropemaker Place, the largest building in the City and sitting just opposite the building, was also under construction.

Also set to transform the area was the development of Old Street or the “Silicon roundabout”. With thousands of miles of super-fast data cabling running under its feet, the location has long been a draw to TMT companies who are increasingly seeking space in Old Street’s surrounding areas.

We knew that the power of these developments and the increase in demand for space would, before long, extend “the City” out to include Old Street and beyond. With huge expanses of the area under construction, however, few others could see the same future.

Now, as you stand in Chiswell Street, you stand firmly in the middle of the City.

Powerful properties
Property schemes can not only transform the look and feel of immediate surroundings, but can alter the tone of entire areas. These have altered and modernised the face of London:

THE SHARD



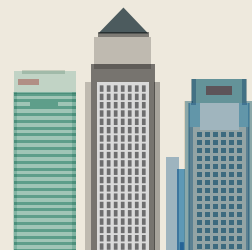
THE MILLENNIUM DOME



MIDDLESEX HOSPITAL REDEVELOPMENT



CANARY WHARF




Ropemaker Place sitting opposite with views towards South London




You are here

Following several prominent developments in recent years, Chiswell Street's surrounding area has seen dramatic physical improvement, attracting high-profile tenants and rising rents significantly.

Key of nearby influential developments, properties and points of interest


 21-24 Chiswell Street


 Honourable Artillery Company

 1 Bunhill Row

 Milton Gate

 Ropemaker Place


 City Point

 1 Silk Street

 Spitalfields Market

 Finsbury Circus

 Tower 42

 30 St. Mary Axe



Good company



Beauty in the beast

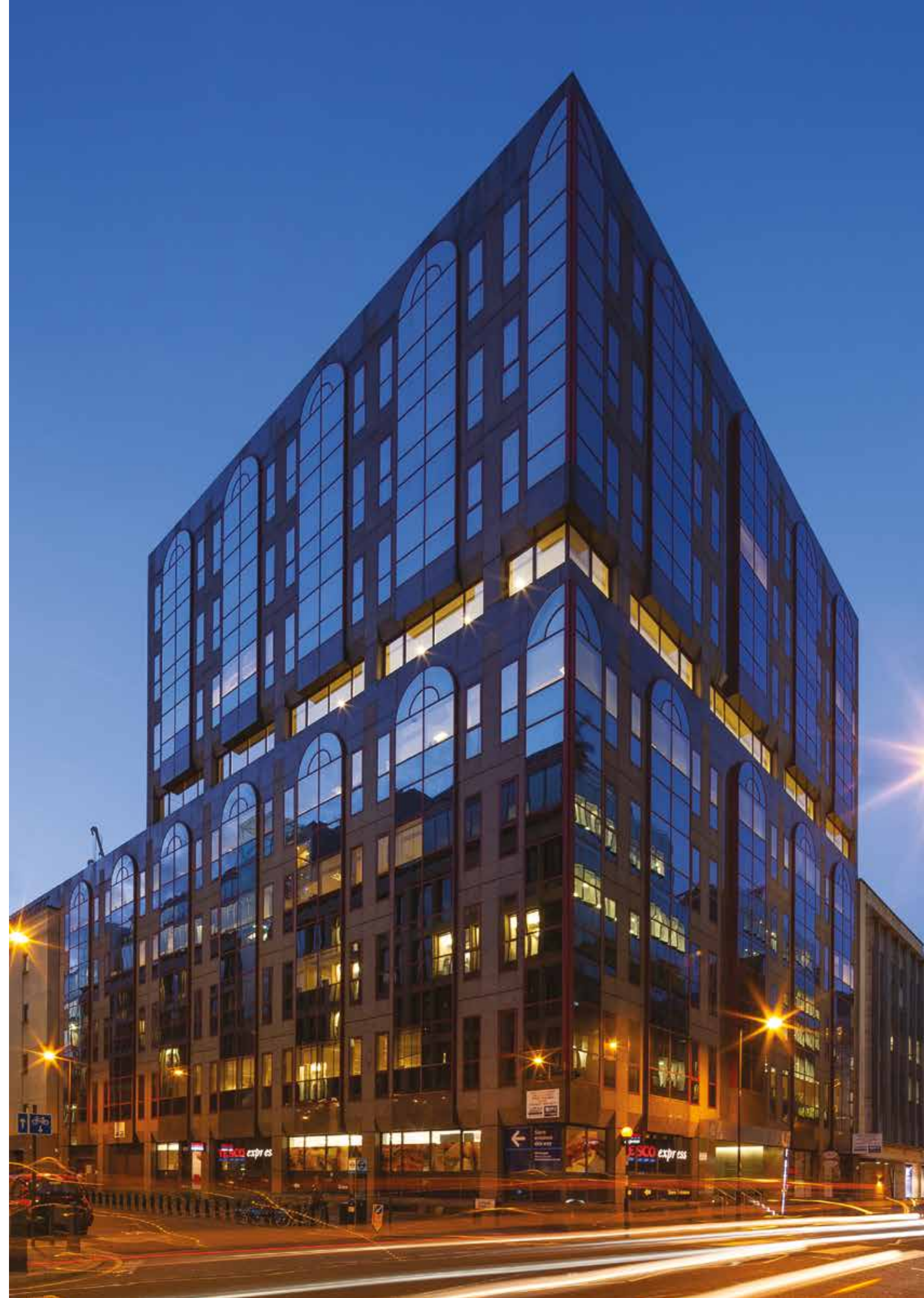
With its somewhat unfashionable exterior, 21-24 Chiswell Street had previously been bypassed by investors. Few could see the real potential in not only the emerging area, but the quality of the building itself.

At Riverside Capital, we have a track record in extracting value from assets that have previously been overlooked to improve their overall look and feel, but even when a building meets the key investment criteria, it must be structurally sound to keep costs low and to maximise returns.

21-24 Chiswell Street may have an outdated façade, but was constructed in the midst of the 80s boom and reaps the benefits of a quality driven time. Its large floor-plates and good floor-ceiling heights are key attractions. What's more, incredible views over the HAC sports ground to the rear are a rare beauty for the area.

Sourcing a building with such strong fundamentals is infrequent and highly valuable, but can easily be disregarded. In this case, the building's deceptive exterior and unwillingness of others to see the future of its location meant the asset had yet to see an investment that could drive its potential.

The building reaps the benefits of a quality driven time. Its large floor-plates and good floor-ceiling heights are key attractions.



Small change, big difference

It's often the case with commercial properties that the most obvious improvements are overlooked, despite the fact that the smallest of these changes can have a significant impact on value. 21-24 Chiswell Street was a true example of this.

The structural quality of the building was so high that there was no heavy refurbishment work required to improve the asset. Therefore, knowing that we were leaning heavily on location to boost the property's value, we set out to perform a minor restoration of the building.

We carried out a rolling refurbishment programme over 25,000 sq. ft. of space and renewed the lifts and the reception, all while the building was 80% occupied. Post refurbishment, we set out to extend leases with existing tenants and to let empty floors.

The improvements that we made to the building – and our marketing of the enhanced asset – meant that we were able to secure leases with five new tenants, including Tesco and 2013 *The Apprentice* winner, Dr Leah: adding a retail element to the ground floor.

“It's amazing how small alterations can breathe new life into a building. Improving the reception alone can enhance the experience of a building enormously.” Sasha Stupar, *Director, Riverside Capital*

PHOTOGRAPH BY ALEXANDRA MYERS



Knowing our audience

We have a long track record in performing refurbishments in occupied properties. These projects simply can't be a success without having good relationships with the building's tenants.

At Riverside Capital, we recognise that, as the end user of the product that you are creating, tenants have a vested interest in the refurbishment of a property. For this reason, we treat them as our customers.

These customers will happily co-operate if they know that you're providing them with an improved environment at minimal disruption. Therefore, communication at an early stage is vital. We work to build relationships with tenants from the due diligence process, right through to the conclusion of our asset management plan.

Our relationships with tenants at 21-24 Chiswell Street meant that all works could be performed on time and within budget and facilitated two lease extensions at improved rents.

"To commit to a project with a tenant in situ involves getting them to buy into what we're doing and for that, we need to achieve mutual understanding". Sasha Stupar, *Director, Riverside Capital*

ILLUSTRATION BY TOM FROESE



The refurbishment

21-24 Chiswell Street's rising location was enough to make a strong investment, but we knew that we could achieve higher rents and greater returns by making some improvements.

In spite of the building's good overall condition, its interiors were outdated. We refurbished the reception and lifts to introduce a fresh and modern feel to the property and renewed the 3rd, 5th and 6th floors as they became vacant throughout the hold period.

Combined with the location, these updates allowed us to re-let these floors at rents 25% higher than those at purchase.



A pin drop indicates the central location of 21-24 Chiswell Street





Big deal

It only takes one party to see a big opportunity for a project to be a success and 21-24 Chiswell Street was one of our finest examples of this. Our willingness to see the future of the building's location – and to believe in it – meant that we took the time to invest in an underrated asset.

Strong relationships with the tenants allowed us to make the improvements that were needed to enhance the building: enabling us to increase the value of the asset from £31.3M TO £48.25M OVER 5 YEARS. This was on top of the rent received each year in respect of a fully let building.

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THE
PROPERTY
INVESTMENT
PEOPLE

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