

view

AN EXIT STORY FROM RIVERSIDE CAPITAL

W1F 7TU
64,656 SQ. FT
£48M BUY
£75M SELL



Riverside Capital deliver
a piece of Shoreditch cool
to the West End



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In this edition we share how we sourced the perfect chance to do what we do best; to deliver an opportunistic property investment and to create significant value where others saw limited potential. This is our story of 25 Argyll Street.

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£75m

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Half vacant and outdated. Read about the design, thinking and strategy behind the relaunch of 25 Argyll Street.



The property market is fiercely competitive and so we know the importance of pure property knowledge, ability to deliver and a contemporary edge. 25 Argyll Street presented the perfect opportunity for us to put these skills into action.

In this £48m off-market deal, we saw a chance to break with tradition and deliver a piece of Shoreditch cool to the West End, with a triumphant result.

Post refurbishment, we let 30,000 sq. ft. at what we gauged to be the perfect time in the market and the asset was sold for £75m within 33 months of purchase.

This opportunistic approach and thinking outside the box attitude really sum up what Riverside Capital is all about.”



Dominic Wright
Group Chief Executive
Riverside Capital

Argyll Street in numbers

Purchase

£48m

Refurbishment

£3.5m

Sale

£75m

Profit

£20m

64,656sq. ft.

Hold period: 33 months



Not for sale

Our ability to deliver off-market deals means that we can provide our investors with better opportunities. Strong market contacts and an exclusive relationship with our investor meant that we were able to secure 25 Argyll Street and initiate an asset management plan with a difference.

Finding the right deal is the primary step in our value-add process and we are constantly on the lookout for a great investment. Exclusive relationships with our investors, together with extensive market contacts, means that we can access these opportunities.

Our experienced team has close working relationships with many of the most successful investment agents in London and this gives us the ability to source deals that nobody else gets to see.

James Hammond, Executive Director at CBRE, introduced 25 Argyll Street to Riverside Capital on the back of his long standing relationship with the team:

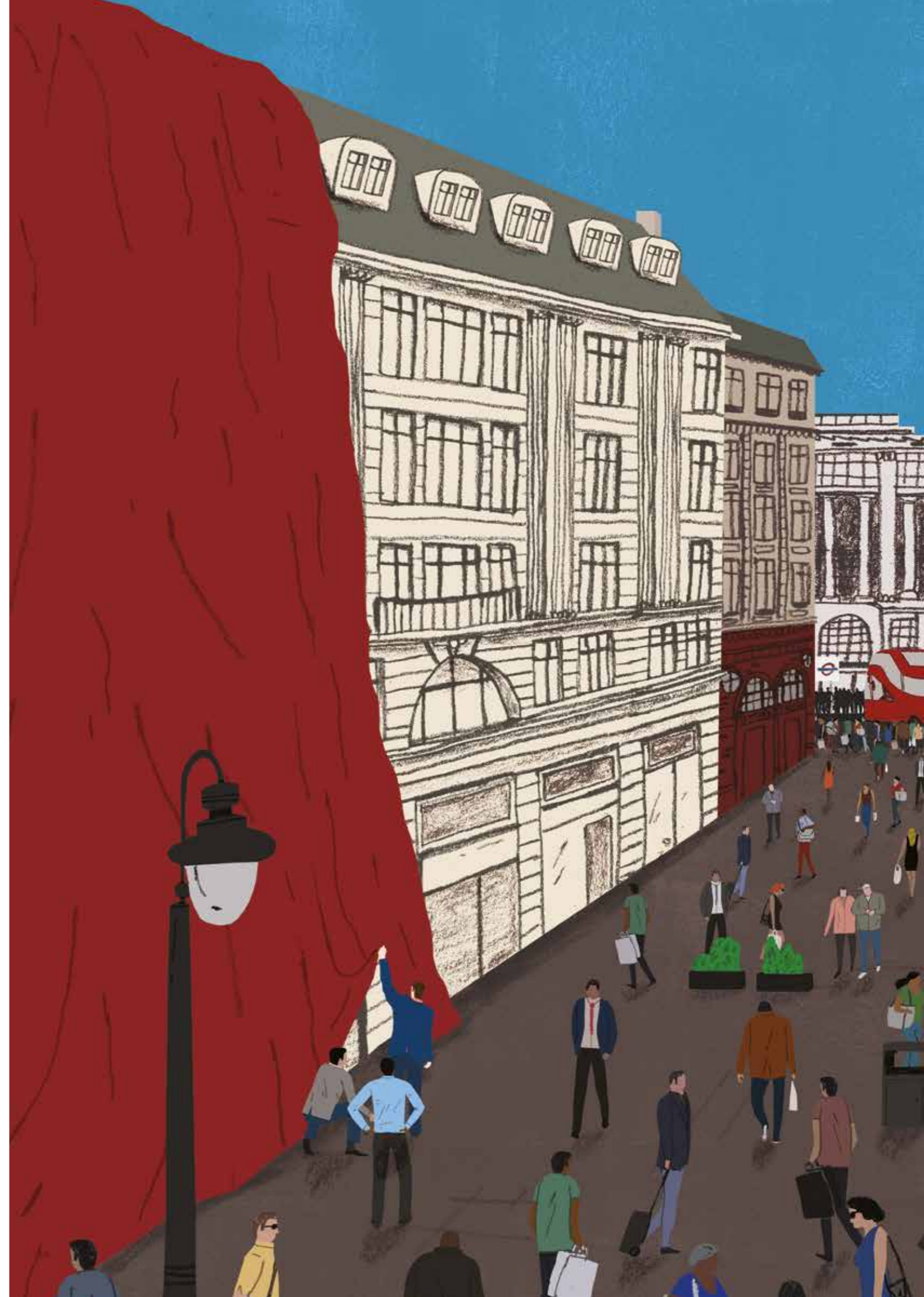
“Our relationship with Riverside Capital goes back many years and it’s based on trust. In my position, you need to have complete confidence that when you take an off-market opportunity to somebody, you have their discretion and the assurance that they will deliver. We have this relationship with Riverside Capital.”

Our ability to access 25 Argyll Street off-market and foresee its potential ahead of our competitors enabled us to purchase the asset on behalf of our investor for a good price, in an extremely tight market.

“I would say that less than five percent of deals in London are off-market.” James Hammond, Executive Director at CBRE



ILLUSTRATION BY MICHAEL PARKIN



The magic number

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



1. Location

25 Argyll Street's position is crucial to its usability. Located in the heart of London's West End, the building sits between four separate markets; Marylebone, Fitzrovia, Mayfair and Soho. Also, with its back to Regent Street, it is just 25 metres from Oxford Circus tube station and two minutes walk from Crossrail's Bond Street station.



2. Income

Income is the key ingredient to any investment and at the time of purchase, the building was half let. We saw the empty space as an opportunity to enhance the property while enough rent was received from the occupied floors to ensure that overheads were covered.

Our improvements to the building allowed us to secure new tenants on the previously empty floors, on longer leases and at increased rents.



3. Security

Financially strong tenants are key to the success of a commercial property investment. We had inherited a strong covenant with leading entertainment company, **Live Nation** already occupying space.

Post-refurbishment, we signed leases with **Spotify** and **H&M** providing 25 Argyll Street with an enviable tenant mix.

It's a done deal

(Now the real work starts)

When we deliver an opportunity to our investors, we also deliver a full asset management plan. Purchasing an asset is only the beginning of the investment lifecycle and once the deal is complete, it's time to put the plan in motion.

We love doing deals for our investors, but it's not until the deal is done that the value-add process really begins. Our expert team has over 100 years' combined experience in asset management planning and execution and this knowledge is applied when formulating a strategy for an asset.

With certain qualities having given 25 Argyll Street a bad name in the agent market, the asset management plan was largely about overcoming its tainted history. The building suffered from a poorly laid out reception area, low floor-ceiling heights and run-down finishes. To increase the value, we had to change the market perception of the asset and to do that, we had to re-invent it.

"25 Argyll Street is a beautiful building in a great location, but various factors had given it a bad reputation. We knew well before purchase what we were taking on and that we had to deliver something radically different."

Our plan was to refresh the property in a way that hadn't been done before; to introduce East London designs to a quintessentially West End building. We knew that breathing fresh life into the asset could alter agents' perceptions and appeal to not just corporate tenants, but to the increasing number of TMT companies in the area.



**Sasha Stupar, Director,
Riverside Capital**

Sasha has over 15 years' experience in construction, refurbishment and project management. The strength of his expertise combined with that of the team means that we are able to understand a project's scope and potential long before the deal is done.



Never mind the gap

Letting a building is about so much more than showing tenants around a floor after a completed refurbishment. When we make an investment, we're thinking about this process from before purchase, right up to the moment we exit and 25 Argyll Street was no exception.

At the time of purchase, the building was half let, giving us 30,000 sq.ft. of vacant space to play with. While others may have been deterred, we saw this as an opportunity to reinvent the property and to bring a fresh and modern tenant mix to the table.

Knowing that the building's central location at the apex of Soho, Mayfair, Marylebone and Fitzrovia could appeal to both corporate and media occupiers, we set out to refurbish the building accordingly and to cast our net wide. For this, we required a diverse letting team.

The letting team

The Riverside Capital team has a broad depth of contacts in the market and we always pick the best people for the job. In this case, where we had a diverse range of target tenants in mind, we chose two teams with whom Riverside Capital has long-standing relationships; CBRE and BDG Sparkes Porter.

As a multi-national agency, CBRE know the movements of the big corporates years in advance, while BDG have the local knowledge. By engaging both, we covered the entire tenant market.

As is usual with a project of this size, we involved our letting team from the beginning of the asset management process. Communication with our agents from this early stage meant that we knew who was in the market for space and that we could create an appropriate and innovative refurbishment plan.



ILLUSTRATION BY CHRIS LEVETT

Letting agents (from left)

Greg Porter, *Director, BDG Sparkes Porter*
David Brogan, *BDG Sparkes Porter*
Lana Johnson, *CBRE*
Matt Chicken, *CBRE*

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Oxford Circus, looking South – 25 Argyll Street can be found in the top left corner of the photograph.





At purchase, 25 Argyll Street was half vacant and outdated. We wanted to bring an East End vibe to a traditionally corporate location to reflect the area's modern occupational tone. »»»→

"TMT firms wouldn't traditionally have chosen this as a location but as these companies grow up, so do their property requirements. Targeting two very different types of client in the letting process was an unusual tactic, but with such strong knowledge of the tenant types seeking space at the time, we were confident in our approach."
Greg Porter, Partner, BDG Sparkes Porter

The building

25 Argyll Street's physical qualities were strong. On top of its undeniably superior location the building had the added benefit of 10,000 sq. ft. floor plates; highly sought after in the West End.



However, the building also had its drawbacks. At the time of coming to market, its poor overall presentation had given the property a bad name among letting agents and it was in serious need of refurbishment.

What's more, the building had tenants in occupation and had the further challenge of being Grade II listed. The combination of these factors would have been enough to deter many, but having tackled similar, challenging projects before, we weren't discouraged.

“Riverside Capital has a flair for opportunistic buildings that have been overlooked in the past – cosmetically challenging, but structurally sound – so this project was ideal for their skill-set.” James Hammond, CBRE

We saw 25 Argyll Street's limitations as a chance to improve and modernise a neglected asset in keeping with its integrity; a beautiful, historic property in the heart of the West End. ➡



When it comes to an area like Regent Street – with some of the oldest and most famous buildings in London – we always aim to preserve timeless originality. 25 Argyll Street presented an amazing opportunity to bring a historic, run-down asset into the here and now.” Sasha Stupar, Director, Riverside Capital

Grand Regency architecture; a view of the building from Regent Street.



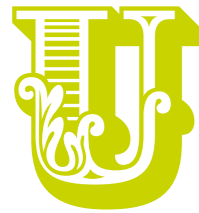
The H&M courtyard
on the first floor



Most asset managers don't think to do anything with the property's lightwell, but we saw this as a usable space and an opportunity to create an outside area as part of the building. We enlarged the windows, furnished the space and added lighting so it could be used at night as well as day". Ralph Angel, Director, Arcademy

The refurbishment

Riverside Capital has led several high-profile projects in Central London, from fit-outs to major refurbishments.



Unlike many asset managers, we have the benefit of having in-house construction and refurbishment expertise which means we not only have greater control over projects, but also that we are able to fully understand a project's potential scope and limitations from even before purchase and ahead of engaging external teams.

On a sizable project like 25 Argyll Street, this experience plays a crucial role in the selection of a project manager.

For this refurbishment, we selected Chris Blackburn and his team. Throughout the project, Chris oversaw and managed large professional teams and was responsible for delivering the completed refurbishment on time and within budget.

Since co-founding Blackburn and Co, Chris has established himself as one of the finest project managers in London. He has worked alongside Riverside Capital to deliver several prominent schemes and is also the asset manager of choice for the likes of Helical Bar and Derwent London.

"Riverside Capital is one of the few companies that would have the experience and appetite to take on a project like this. At the time of refurbishment, 25 Argyll Street was occupied, had a working reception and required complex steel work. The challenges presented and our ability to successfully manage them made this one of our most rewarding projects to date." Chris Blackburn, Blackburn & Co.



Before: With low suspended ceilings we created open plan flooring for the fourth and fifth floors



After: Exposed piping and air ducts complement the open plan flooring suited to media and TMT tenants

The name of the game

Marketing plays a critical role in securing the best tenants for a building and the process begins right from purchase. In the case of 25 Argyll Street, it played a more important role than ever; we had to change the perception of the property. The starting point was the name.

Under its former name of Regent Arcade House, 25 Argyll Street had previously been home to one of the biggest property agents in the West End and was well known in the industry, but not for its strengths.

Despite its desirable location, underdevelopment on the street below and a poor overall presentation of the property had defined its reputation. We could see, however, that it had simply been overlooked.

We forgot about the negatives, stripped down the building and thought about what would suit it best. To escape the stigma, we needed to create a radically different product and change agency market perspectives for good.

The strategy

The first thing that we had to do was change the name. Regent Arcade House was a thing of the past and so, to disassociate the new product, we named it 25 Argyll Street.

Location had always been the building's undeniable selling point and now, with the newly updated interiors, we could sell the full package. We delivered 25 Argyll Street's central positioning as a hook in our marketing material and distributed a location-focussed taster document to the market, before presenting the re-launched product via a fully comprehensive brochure.

Post-distribution, we held a launch party on-site to physically show agents the change. Our marketing collateral bought 120 agents to the party: easily 25% over the average turn out to a project of this size. The result was newly signed tenancies with *Spotify* and *H&M* and a lease extension with *Tyche Consulting*.

“Stigma around a building is one of the hardest things to overcome, as once the agents have made their minds up about an asset they’ll try and project their opinions into their clients and tenants. Changing the agency market perspective was definitely one of the biggest challenges of this project.”
Lana Johnson, CBRE

Paradise, Nevada and Hell, Michigan. Names have a powerful effect. We can react to any inherent meaning positive or negatively before we know anything about who or what they are attached to.



Big

deal.

25 Argyll Street provided us with the perfect opportunity to do what we do best; to take a building that is cosmetically challenging but structurally sound, to play to its strengths and to deliver it into a perfect market.

This project required some bold moves but we knew that we could rely on our knowledge, experience and contacts to make an unloved building stand out and deliver results.

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PROPERTY
INVESTMENT
PEOPLE

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