

# READING

A résumé for developers and investors

Spring 1997

A look at the background, recent transactions and the future for commercial property

Reading is poised to become a regional "supertown". Proximity to London and Heathrow International Airport, access to the national motorway network and an excellent rail service are qualities that are attracting substantial inward investment and will lead to significant new development on a scale the region has not seen in its recent history. Space does not permit the full story but this résumé summarises the most important factors affecting the town's continued prosperity and demonstrates evidence of an increasingly vibrant market and the return of developer confidence.

## Key Dates

March 1997 - Preliminary work commenced on The Oracle town centre redevelopment - due to open December 1999

July 1997 - works expected to commence on the southern section of the A33 Relief Road, linking the IDR with junction 11 M4

April 1998 - Reading Borough Council to become a Unitary Authority

Autumn 1998 - 25,000 seater Reading football stadium expected to be completed

Over the next ten years this certain expansion of the town's business base will lead to a fundamental change in the character and importance of Reading as a regional centre. We expect to see more developers, funds and investors appreciate and understand these changes and take advantage of the opportunities that will be presented.

- Berkshire County Council is to be abolished and Reading Borough Council becomes the Unitary Authority.
- Important infrastructure improvements are being implemented including the A33 Relief road and the first Park and Ride.
- Several notable institutional letting deals have been completed including CIN's Phoenix House, Argent's Thames Valley One, Fenchurch's De Boves House and Lloyds/TSB's Pacific House.
- Other transactions underpin growing confidence in Reading including two computer giants, Microsoft and Oracle, developing 800,000 sq ft at Thames Valley Park and also Foster Wheelers purchase of Shire Hall for around £23m.
- The take up of office and industrial property in Reading exceeded 1.8m sq ft in 1996
- Retail and leisure development has returned on a grand scale with the opening of The Showcase multi screen cinema at Winnersh and the 95,000 sq ft retail warehouse development at the Forbury, close to the town centre - more is planned.
- Positive progress is being made on large scale developments including The Oracle town centre redevelopment and the football stadium site.

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## Borough Planning Policy

In April 1998 Berkshire County Council will be replaced by six self governing Unitary Authorities including Reading which will take over control of County Council services.

The Draft Reading Borough Local Plan was the subject of a Public Enquiry in October 1993. Modifications were published in August 1995 and also in January 1996. The latest proposed modifications, which largely relate to housing issues, were the subject of a recent Public Enquiry and the Inspectors report is now awaited. The Council hopes to adopt the Local Plan before Unitisation. The Draft Plan does not promote a significant increase in employment uses in the town centre. However in addition to substantial existing commitments (referred to below) there is scope for further development subject to meeting parking, environmental and other policy provisions in the Plan such as:

- Parking commutation which is calculated on the basis of 1 space per 50 sq m gross floorspace. In the town centre plan area 10% of the standard will be allowed on site as operational parking, outside this area a maximum of 50% will be permitted, the remainder will be commuted. Currently the payment for parking commutation is £6,500 per space.
- Other payments may be requested for the provision of public art, high quality landscaping or other benefits to the environment.

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## Infrastructure

Reading Borough Council transport strategy involves the implementation of a "robust policy" of new bus routes, cycle ways and park and ride facilities which endorses Government guidance contained in PPG13. A mission statement is expected to be published by the Council in the Spring. The principal proposals and developments are set out below:

- The long awaited southern section of the A33 Relief Road is scheduled to commence on 23rd July 1997. This will relieve much traffic congestion on the Basingstoke Road (A33) and will finally connect the Inner Distribution Road with the M4 at junction 11. The new road, which will take 21 months to complete, will pave the way for an extensive development programme including Reading Business Park, the new football stadium and Smallmead Retail Park.
- The first major Park and Ride scheme is due to open on 2nd June 1997. This car park for 600 vehicles is located at Winnersh and will provide bus services at 7½ minute intervals from 7.00 am to 7.00 pm to Reading town centre via the A329(M). Return journey costs are expected to be £1.50 or the same cost for up to 4 travelling after 9.30 am.
- Other improvements include bus priority routes and bus lanes for south and east Reading, a major upgrading of the Oxford Road street scene in north Reading including tree planting, sheltered parking and street furniture and also a commitment to improve Cow Lane.
- A continuing commitment to the third Reading Bridge, subject to funding.
- The Town Centre Transport Strategy, approved last year and to be implemented on 25th May, will include a bus priority loop around the town centre; an extension of pedestrianisation to include Queen Victoria Street and the remainder of Broad Street to Butter Market. The town centre parking strategy includes a pricing policy to ensure short term spaces are available for shoppers and the engagement of the Council's own traffic wardens.

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## Major Development Proposals

The following development proposals will, when implemented, have a significant affect upon the future of Reading in terms of its regional importance, economic prosperity and creation of new jobs:

- Microsoft and Oracle are in the process of completing schemes for their own occupation of 500,000 sq ft and 300,000 sq ft at **Thames Valley Park**. They join British Gas and ICL. Others will follow when Argent and Countryside complete their speculative schemes. The total office floorspace on the Park is over 1.4 m sq ft.
- The 130 acre **Reading Business Park** (Prudential) close to junction 11 has consent for 2,250,000 sq ft B1, B1c and B8 development. The development is expected to be phased over 10/15 years.
- The 24 acre **Suranai** site at Junction 11 is the subject of a new planning application for 395,000 sq ft B1 offices and a 500 car park and ride.
- Prudential's town centre **Forbury House** site has consent for a 195,000 sq ft office scheme.
- Following further modifications, **The Oracle** town centre redevelopment scheme on 12 acres (BICC and Hammerson) will comprise 646,000 sq ft retail space, 43,000 sq ft restaurant space, 36,600 sq ft cinema, 30,000 other leisure and 2,300 parking spaces. Negotiations with Boots Debenhams and House of Fraser are believed to be underway. The office element has been dropped in favour of more retail and leisure.

- At Grazeley, south of Junction 11, 2,500 new houses, a school, shops and other neighbourhood facilities are proposed, subject to a public inquiry. This proposal includes a new link road over the M4 to bypass the junction.
- At Lakeside, Theale, Lamron are proposing a 151,000 sq ft B1 office scheme.
- Salmon Harvester Properties have signed up to the 60 acre **Smallmead Retail Park** at the proposed 25,000 seater football stadium on the A33 Relief Road. The scheme will comprise 204,500 sq ft anchored by a 107,600 sq ft unit. There are 1,200 parking spaces.
- Proposals are being discussed for the redevelopment of the 32 acre **Battle Hospital Site**, Oxford Road to include 315 dwellings, 50,000 sq ft retail space and a 47,500 sq ft food store.

## Stock and New Developments

The table shows the principal standing speculative buildings and those in the course of construction.

The take up of office space in Reading during 1996 amounted to over 800,000 sq ft. Of that figure, 500,000sq ft was represented by lettings of 10,000 sq ft and above. Of the large buildings, over 180,000 sq ft was let in the town centre and 300,000 sq ft on the edge of town representing 31% and 61% of the respective stock of standing buildings.

Industrial take up for the year was almost 1m sq ft. Available industrial stock amounts to around 1,000,000 sq ft

"Take up" represents completed transactions and deals in solicitors hands

Offices	Use Class	Size and Status	Quoting Rent	Parking and ratio
<b>The Anchorage</b> Bill Samsel	B1	2,683 sq. m (28,885 sq ft) Completed 1996	£23.00 psf	34 1:850
<b>New Century Place</b> Fenchurch/Gulliver	B1	3,918 sq. m (42,180 sq ft) 2 Buildings Completed 1996	£23.00 psf	94 1:449
<b>Aquis House</b> Aquis/US5	B1	4,645 sq. m (50,000 sq ft) Completed March 1997	£22.50 psf	55 1:909
<b>Sovereign House</b> Guardian	B1	1,895 sq. m (20,396 sq ft) Completed 1996	£21.50 psf	6 1:3399
<b>Fountain House</b> Langbourn Properties	B1	5,853 sq m (63,000 sq ft) Refurbishment completed January 1997	£14.00 psf	60 1:1050
<b>Pacific House</b> Lloyds/TSB	B1	2,695 sq m (29,700 sq ft) Completed 1993	£21.50 psf	132 1:224
<b>Greyfriars Gate</b> Dwyer/Clerical Medical	B1	753 sq m (8,106 sq ft) Under Construction	£25.00 psf	7 1:1158
<b>Arlington Business Park</b> Arlington	B1	8,473 sq. m (91,205 sq ft) 3 Buildings Completed 1996	£25.50 psf	339 1:269
<b>Thames Valley Park</b> Agents/Hypo Bank	B1	11,984 sq. m (129,000 sq ft) 2 Buildings TVP2 completion due July 1997 TVP3 completion due May 1998	£25.00 psf	560 1:230
<b>Clearwater, TVP</b> Countryside Commercial Cadbury Schweppes	B1	1,092 sq. m (11,752 sq ft) Completion due September 1997	£25.00 psf	50 1:235
<b>Berkshire Place</b> Pillar	B1	5,109 sq m (55,000 sq ft) Plus planning permission for 5,574 sq m (60,000 sq ft)	Not Available	279 1:197
<b>Winnersh Triangle</b> Slough Estates	B1	4960 sq m (53,390 sq ft) 100 Phase - 1011 units Completion due 1998	Not Available	200 1:267
<b>Industrial</b>				
<b>Winnersh Triangle</b> Slough Estates	B1	6,730 sq m (72,700 sq ft) 500 Phase - 8 Units (All under offer or let) Completed August 1996	£11.75 psf	
<b>Southern Gate Park</b> Eleose	B2/B8	1,564 sq m (16,840 sq ft) 6 Units (All under offer or Let) Completed 1996	£8.00 psf	
<b>The Maxii Center</b> Helical Bar/Friends Provident	B2/B8	5,953 sq m (64,083 sq ft) 1 High Bay Unit Completed 1993	£7.25 psf	

## Principal Deals, Rents and Prices

Including approximate headline figures, but excluding concessions

### Offices

- **Pheonix House, Reading** - 51,616 sq ft CIN let to Racal BRT under a 15 year lease at £19 psf average rent.
- **Greyfriars House, Reading** - 28,105 sq ft let to Foster Wheeler for 6 years at £15 psf
- **St Laurence House, Reading** - Store Property Group let its refurbished 18,410 sq ft building in Market St to Regus and Rail Track at around £16.50 psf
- **26 The Forbury, Reading** - 15,629 sq ft headquarters building let to Telecom Sciences Corporation at £15 psf for 18 years subject to a 5 year break.
- **Abbots House, Reading** - Global Knowledge Networks acquired 22,292 sq ft from KPMG at £20 psf approx.
- **Caxton Court, Reading** - 22,800 sq ft let to AD Tranz at £12 psf plus an associated deal at 10 Church St where 10,750 sq ft was let at a rent rising to £13 psf
- **Shire Hall, Reading** - 300,000 sq ft headquarters building on 36 acres sold by Berkshire County Council to Foster Wheeler at reputed £23m
- **De Boves House, Earley** - 14,100 sq ft Headquarters office building developed by Fenchurch Estates let to Danka PLC for 15 years at a headline rent of £20 psf. Funded by Clerical Medical
- **Thames Valley One, TVP** - 74,300 sq ft let by Argent to ICL under a fifteen year lease at £23 psf
- **Pacific House Worton Grange** - 28,000 sq ft let by Lloyds/TSB to Thames Valley Enterprise under a new lease for 15 years
- **Microsoft Place, Winnersh Triangle** - 55,000 sq ft office building sold to Pillar Property Investments for £11.8m. The sale included an adjoining 3 acre site with p.p. for 60,000 sq ft and a short lease to Microsoft.
- **Compass Point, Winnersh Triangle** - 45,000 sq ft let to US Robotics at around £18 psf

### Industrial

- **Toys R Us Building, Reading** - 147,000 sq ft let to Netto at around £4 psf for 4 years.
- **Maxli Centre Theale** 50,000 sq ft high bay warehouse plus 30,000 sq ft offices prelet to Direct Wines by Helical Bar. A new lease for 25 years was agreed with a 15 year break at a commencing rent of £8 psf
- **Digital Building Winnersh** - 147,000 sq ft assignment of 15 year lease to Telecental at passing rent of £8.70 psf subject to concessions

### Investments

- **Abbey Gardens, Reading** (150,000 sq ft offices) sold to PFA Invest International for £32.9m reflecting a yield of 7.76% approx.
- **Forbury Retail Park, Reading** Acquired by Britannia Life for £21m including 130,000 sq ft on 10 acres let to Toys R Us and Homebase producing £1.2m plus 7 acres for development.
- **Adwest Group of Woodley** sold an extensive portfolio of industrial property to London and Cambridge Properties for around £26.5m. (Rental income £2.5m)
- **Thames Valley Park, Earley** - British Gas Exploration sold and leased back 184,000 sq ft in three office campus buildings for £63m showing a yield of 7.55%.
- **Thames Valley Park, Earley** - Friends Provident acquired TVP 1 (74,300 sq ft office building) from ICL in a sale and leaseback transaction for £21.75m
- **Imperium, Worton Grange** - Prudential acquired the freehold interest from a consortium of banks for £13.5m (Average rent £17 psf on 84,500 sq ft) yielding 10.25% approx.

#### Note

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