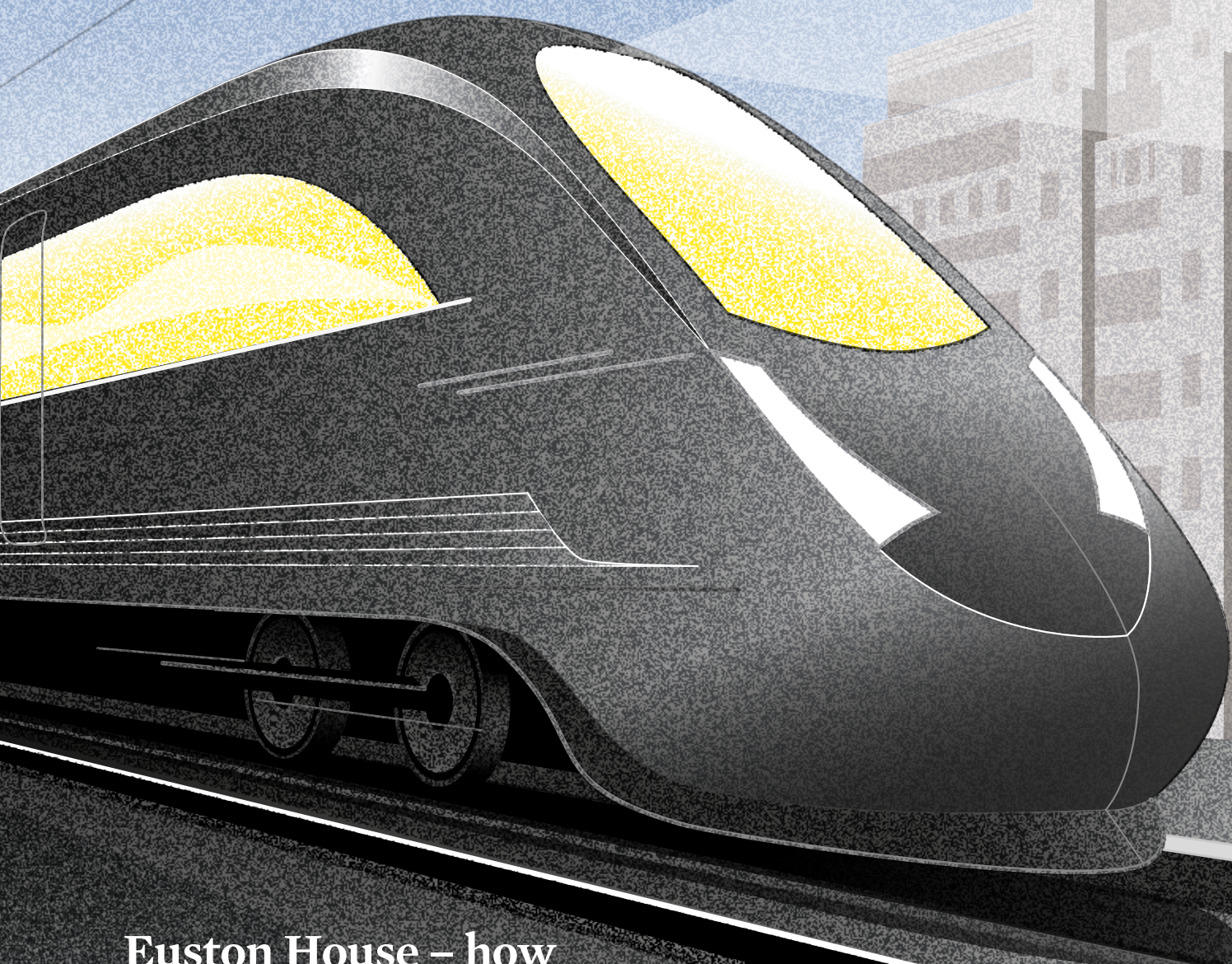


view

AN ASSET MANAGEMENT STORY FROM RIVERSIDE CAPITAL

NW1 1AD
106,145 SQ. FT
£42.75M PUR. PRICE
107% RENT INCR.



**Euston House – how
Riverside Capital made
the connections.**



LOCATION PHOTOGRAPHY BY TONY MACLEAN

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In this edition we share how a combination of a good deal and great relationships can make for the best property investments. This is our asset management story of Euston House.

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Euston’s status as up and coming pitched the future value of the asset highly.

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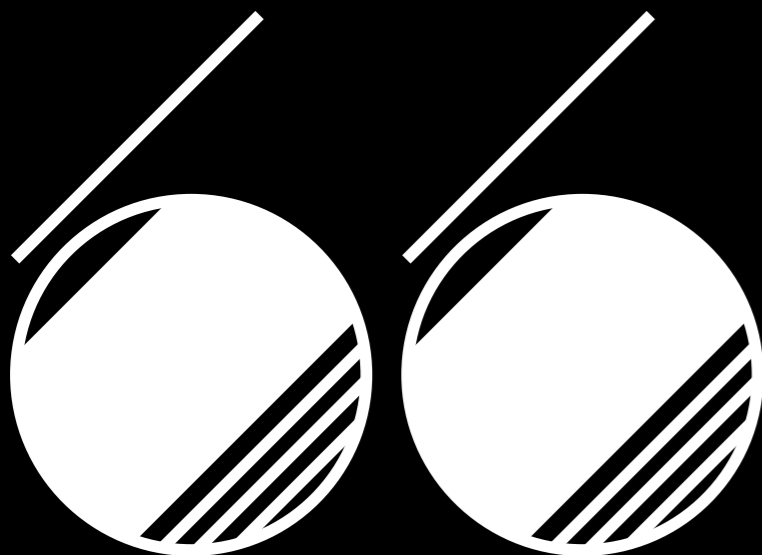
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Conclusion



Timing is everything in property and the only way to secure a great deal is to move quickly. We know this and we prepare for it; that's why we form partnerships with our investors.

Working exclusively for our investors as their retained UK property buyer means that we can open doors to provide them access to the best deals on the market. What's more, we can fast-forward the due diligence process and do what we do best: getting deals done.

Euston House offered amazing value in a strong market and was the perfect fit for our investor's requirement. Thanks to our exclusive relationship, we were able to move faster than our competitors."



Dominic Wright
Group Chief Executive
Riverside Capital

PURCHASE PRICE

£42.75M

AREA, SQ. FT.

106,145

REFURBISHMENT COST

£2M

NET INITIAL YIELD

6.3%

PRICE PER SQ. FT.

£403

RENT ON ACQUISITION

£27.50 PER SQ. FT.

% RENT INCREASE

LAST LETTING

£57 PER SQ. FT.

107

EUSTON HOUSE IN NUMBERS

Being committed

Buying property is the product of a relationship between us and our investors which, like any relationship, works best with communication and commitment. We call these relationships 'mandates'.

A mandated partnership with our investors means that they work exclusively with us and that we look after their interests. When we have their time and dedication we can determine exactly what they need from their property investments and deliver it.

The Euston House deal was a product of a long-standing partnership with our investor. A financial commitment from them and conviction in our asset management capabilities meant that we could secure the deal at a low price and boost the property's rental value by 39% in just four years.

Why mandates make better property investments

- When an investor gives us their undivided attention, we can give them ours. The best portfolios are built when we can work with our investors closely to stay in tune with their requirements.
- When we have a commitment from an investor, we can inform the right people from our extensive network of contacts and source the best opportunities to meet their needs.
- The agency market knows an investor is serious about buying property when they engage a dedicated asset management team. This guarantees that doors are opened to the best deals on and off the market.

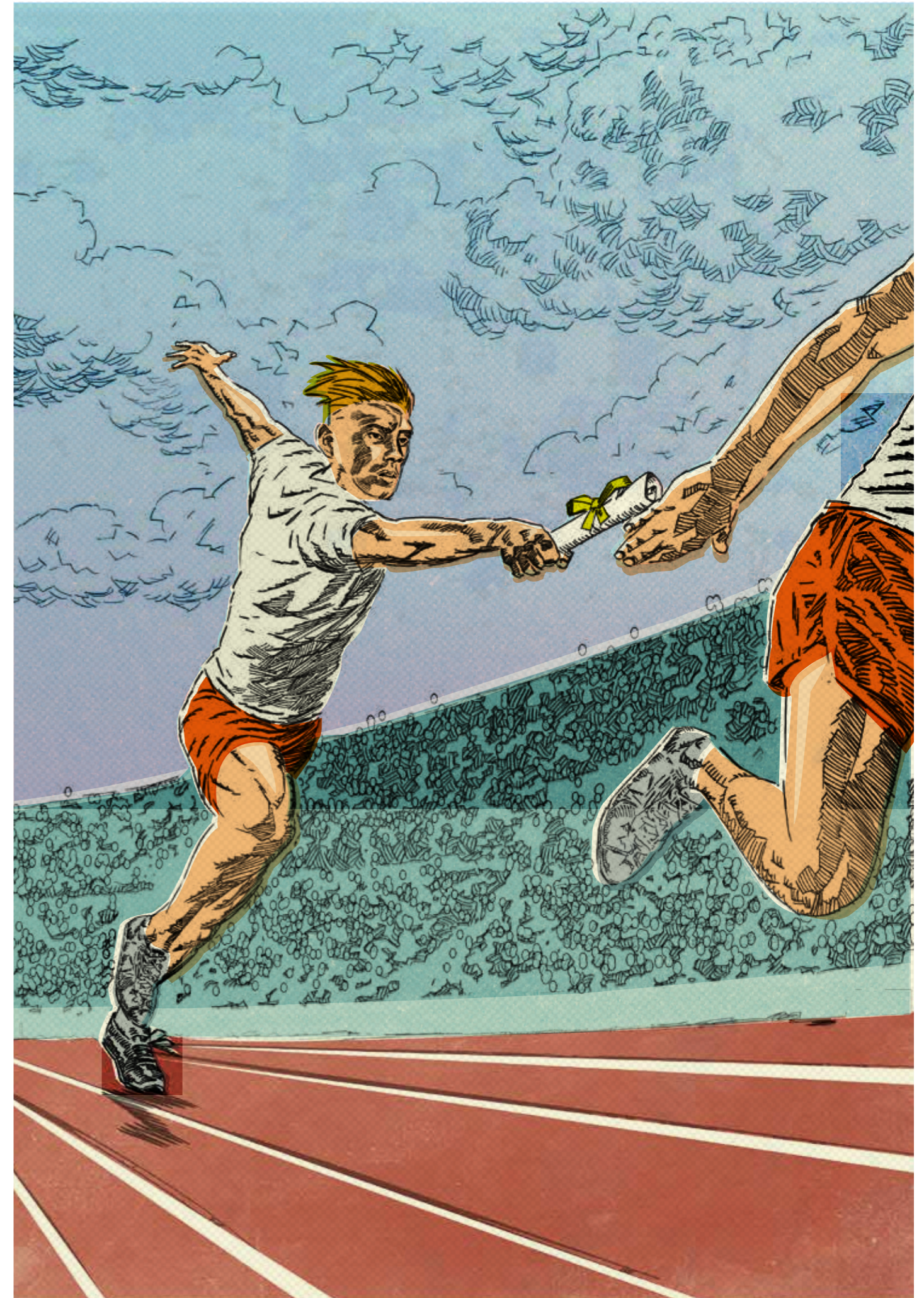


A property investment mandate is an exclusive arrangement between an investor and us as asset manager. Together, we will identify exactly what the investor needs from their commercial property investments.

Typically, a mandate will define:

- **The aims of the property investor**
- **The type of strategy they will follow**
- **The regions they will invest in**
- **The sectors they will invest in**
- **Whether investments will be geared and to what extent**
- **A benchmark index of investments to meet/exceed**

ILLUSTRATION BY MARCO LIVEIT



The magic number

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



1. Income

Income is the principle component to the success of any property venture and was the core strength of this investment. With the entire property let to Learning Tree International and eight years remaining on the lease, the building had a strong and steady income stream.



2. Security

Learning Tree was a devoted tenant and a strong covenant so, at the time of investment, we could trust that the income from the asset was secure.



3. Location

Euston is already a transport hub and, with the Euston Area Plan firmly in place, improved connectivity and subsequent local development is set to boost the area's value enormously.

As the last of London's great train stations to be developed, Euston can only follow the great precedents of King's Cross and Victoria. With the added prospect of HS2, its potential may even be greater.



Times change

With massive redevelopment and the high probability of HS2 on the horizon, Euston's future is set. The Euston Area Plan will guide transformational change, launching the area swiftly from “up and coming” status into London's super-prime.

Knowing the scale and ambition of the Euston Area Plan, we knew that we couldn't go wrong with Euston as an investment location.

Focussed around the revitalisation of Euston Station, the plan will guide development in the area up until 2031 and also includes proposals for High Speed 2 (HS2).

In addition to the creation of a world class transport interchange the plan also sets out to provide Euston with around 3,500 new homes and 200,000 sq. ft. of retail space.

Having witnessed the revolutionary change that transport focussed developments have brought to what are now landmark London hubs, we had no doubt that value in the Euston area was set to surge.

“You just have to look at Kings Cross and St Pancras to see what the future of Euston is. These areas have been transformed by the promise that improved connectivity brings.” Ashley Wilcox, Investment Director, Riverside Capital

*The King's Cross evolution:
Will Euston follow the same path?* ⇄

1970's

Poverty, drugs and prostitution. Cheap rents make the area attractive to artists and designers.



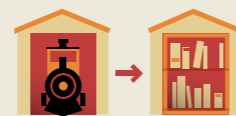
1980's

Artists and musicians move into abandoned coach shed.



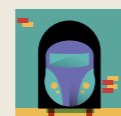
1990's

Government fund Kings Cross Partnership and British Library buy former goods depot.



2000's

2001: Construction begins on the Channel Tunnel Rail Link.



2007: St Pancras International terminus opens with the new St Pancras Renaissance Hotel.



2011: Artists and designers return with the opening of Central Saint Martins (with much higher rents).



After 150 years of industrial use, Kings Cross is now a vibrant city quarter, paving the way for Euston.



THE INSIDE TRACK

EUSTON'S STATUS AS UP-AND-COMING
PITCHED THE FUTURE VALUE OF THE
ASSET HIGHLY. THE BUILDING'S LONG
AND STEADY INCOME STREAM PROVIDED
FURTHER VALUE, BUT WE KNEW
IT COULD BE BETTER



Solid foundations

So much of a property's potential lies below the surface. Euston House was a good looking building in a great location, but we knew that with some smart asset management, we could unlock further value.

At the time of coming to market, Euston House provided everything that you look for in an investment deal and was the perfect fit for our investor's requirement. Alongside its amazing location, the building had eight years income from reputable tenant, Learning Tree International.

Sourcing such a great opportunity in a tight-supply market is invaluable and an exclusive relationship with our investor meant that we were able to secure it before competing firms. But this was only the beginning.

A strong deal like this could alone be enough to turn an impressive profit over time but buying a property is only our first step in creating value for our investors. Where some might have seen an almost faultless asset in Euston House, we looked beyond the exterior and could see that an inefficient leasing structure was preventing the property from achieving its full worth.

The Key to Success

Although occupying only half the space, Learning Tree held the lease over the entire building and sub-let the remaining floors at a higher rent.

Whilst this made the tenant a profit and delivered a strong rental income to our investor, we could see that the structure lacked practicality. Consequently, we took the time to get to know Learning Tree's needs and requirements.



Ashley Wilcox, Investment Director, Riverside Capital

“Opening up lines of communication with the tenant even before purchase meant that we had the market knowledge that nobody else had. Ahead of doing the deal we knew how to exercise our asset management skills effectively to turn a good deal into an unbelievable one.”

The construction of Euston House, 1933



Win. Win, and win.

As part of the due diligence process in any of our investments, we take the time to get to know our tenants; understanding their requirements gives us the knowledge that we need to formulate a long term strategy for an asset.

Through holding pre-deal discussions with the lead tenant at Euston House, we were able to create an asset management plan which both suited them and improved the investment value enormously.

While sub-letting the remaining floors delivered Learning Tree an income, property wasn't their core business. Consequently, under limited asset management expertise, the building had started to suffer. Combined with the administrative responsibility of supervising sub-tenants, the leasing structure gave them a large management headache for a small profit.

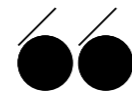
Learning Tree wanted to stay in the building and we were keen to keep them there. Accordingly, our asset management plan set out to increase the value of the property through improving their situation and environment.

The plan

After negotiating terms with Learning Tree, we signed them on a new ten year lease over the space that they occupied at a rent above what they were currently paying. We subsequently took over the sub-tenants and agreed to refurbish the reception, the lifts and the common parts of the building. For all this, Learning Tree agreed to pay a fee which effectively covered the costs of the refurbishment.

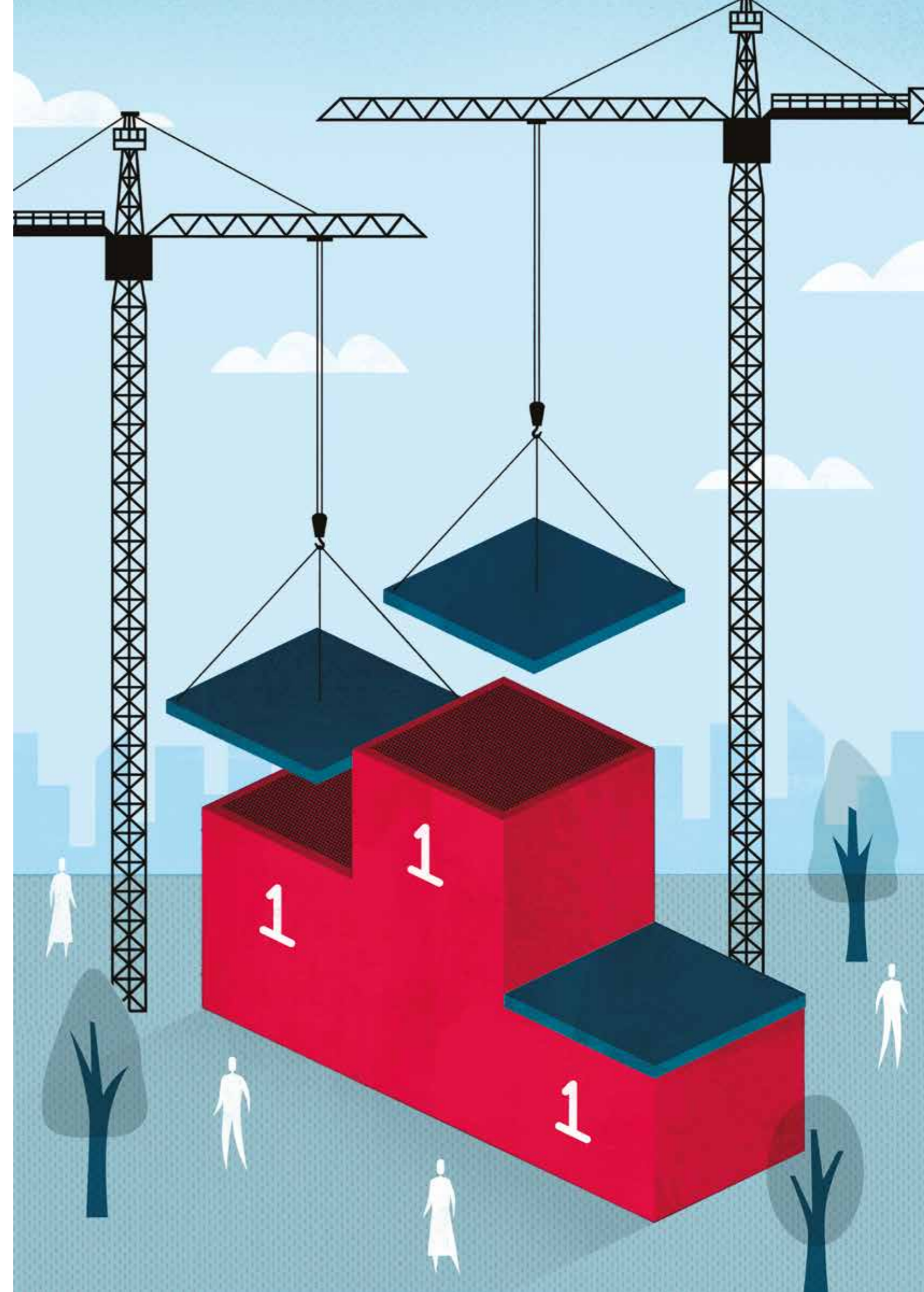
We then liaised with the previous sub-tenants we'd now taken control of to establish their occupational plans. Having agreed new leases and rent reviews with those tenants who wished to remain, we renewed and re-let the space that became vacant.

Re-launching a refurbished asset and re-letting the available space in the open market meant we could establish a new rental tone for the building.



Just by doing the deal with the tenant we increased the rent immediately and then had enough cash to refurbish the building. We increased the rental income by 39% in four years" Dominic Wright, Group Chief Executive, Riverside Capital

ILLUSTRATION BY MITCH BLUNT



A sense of arrival

One of the most important things a tenant looks for is a smart reception area. Higher rents can only be achieved when a tenant walks into a building and arrives at their floor feeling as though they've had a pleasant experience.

Under years of little or no progressive asset management, Euston House had just about lost its physical appeal. Poor lighting and an unforgiving layout in the reception area gave the building a drab and dated first impression and the lifts were in a poor state of repair.

We know how unwelcoming this can be to tenants. Consequently, under the guidance of our in-house project management expert, Sasha Stupar, we set out to refurbish the building with a focus on improving the general atmosphere and arrival experience.

Continuing the art deco theme from the building's façade, we stripped out the reception area and introduced light, quirky designs with an improved layout. We also carried out a rolling refurbishment of all available floors and refurbished the lifts, all with the tenants in situ.



**Sasha Stupar, Director,
Riverside Capital**

"Euston House's art deco qualities are one of its key features, but they were lost in the building's interiors. We knew that we could add value to the asset by bringing the attraction from the outside, in."



The junction of Euston Square
and Euston Road



A modern makeover

Even when buildings show the signs of wear and tear they have a legacy and often, it's this that holds the greatest value. For this reason, we won't just strip out a building and start again. Instead, we look to add value by using what's there.

Having performed refurbishments on several historic properties, we are well practiced in extracting a building's existing qualities and developing them to create modern aesthetics.

Euston House, with its timeless art deco features, is the perfect example of this. At the time of purchase, these stunning qualities were lost in poor presentation. We sought to bring them to life with complimentary designs and to add to them, introducing contemporary art deco fittings to the reception.





We never underestimate the power of relationships and in this case, they made a potentially good deal a great one.

A close working relationship with our investor meant that we were able to transact quickly to secure the deal for a good price at the perfect time in the market.

What's more, taking the time to get to know the lead tenant at **Euston House meant that we could come up with a long term strategy to effectively asset manage the property to meet both their needs and our investor's.**

Riverside
CAPITAL

THE
PROPERTY
INVESTMENT
PEOPLE

rivercap.co.uk

