



LEIGHTON & HENLEY

Opportunities II

Investing With Leighton & Henley

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- 
-
- 2 – 3 The case for investing now
-
- 4 – 5 Leighton & Henley
-
- 6 – 7 An experienced team with an extensive track record
-
- 8 – 9 The Leighton & Henley development process
-
- 10 Building at “cost”
-
- 11 Leighton & Henley fees and profit share
- How we can help
-
- 12 – 13 The Directors
-
- 14 – 27 Selected Developments
-

Current market conditions are presenting opportunities to acquire attractive sites with exciting development potential in prime locations in Central London, including Knightsbridge, Belgravia and Mayfair.

Leighton & Henley is exceptionally well positioned to take advantage of these opportunities both on behalf of itself and other investors keen to become involved in prime Central London residential developments, whether the aim is to sell completed properties or to retain them as a longer term investment.

The case for investing now

The significant fall in the value of Sterling coupled with quite rapid economic recovery in many parts of the world, has led to unsatisfied demand from overseas buyers for developed stock in prime Central London residential areas.

The non-availability of high percentages of debt finance has prevented many indebted local developers from taking advantage of this situation. Work on many well known trophy developments has been postponed, possibly for years.

The volume of newly developed stock reaching the market from 2011 is likely to fall substantially, just as demand is expected to accelerate.

The current level of demand coupled with the shortage of supply has already returned values to pre-recession levels for prime residential property and this situation is expected to continue.

Leighton & Henley believes that this imbalance, coupled with an eventual recovery of local demand, will support rising prices for the foreseeable future and make conditions very favourable for investment in prime Central London residential property.

Developed properties may be sold to generate immediate profits or held longer term as part of an investment strategy. Longer term investors will benefit from their involvement with Leighton & Henley in a number of ways:-

1 By developing their own sites, investors retain any development profit as a capital gain, typically representing a 20 – 25% uplift on costs. Put another way, by developing their own product, investors will effectively acquire stock at a 20 – 25% discount to today's prices.

2 Should investors wish to retain the completed development for investment by acquiring stock at a discount, they will achieve rental yields 20 – 25% higher than the yield on value, thus significantly increasing the rental returns on their equity.

3 With Leighton & Henley carrying out the development process, investors will have a high degree of control over the design and quality of the completed units. A reputation for quality can be created, that can be reinforced further, by working with a recognised interior designer.

Leighton & Henley

Leighton & Henley was launched in 2006 with the purpose of taking advantage of residential development opportunities identified throughout the Greater London area.

The collapse of the residential property market in late 2007 slowed the Company's progress. However, a flexible response, strong support from its Bank, and the high quality of its products enabled the Company to trade successfully through this difficult period and to adapt to take advantage of opportunities that are emerging in a changed environment.

As part of this process the Directors of Leighton & Henley took the decision in

2008 to concentrate on the prime Central London areas, a market long familiar to the management team from previous experience.

Leighton & Henley has acquired five development sites in the prime Central London areas which are estimated to be worth over £75m upon completion. These developments are either being undertaken on behalf of independent investors, through joint ventures, or are directly owned by the Company.



These developments are situated as follows:

100 – 102 York Street, W1

This development comprises the reconstruction of two Georgian freehold terraced houses.

17 – 20 Shillibeer Place, W1

This development comprises the construction of four new freehold town houses.

182 – 188 Kensington Church Street, W8

This is a new build scheme and comprises twelve flats, retail space to the Kensington Church Street elevation, with car parking to the rear and basement.

60 Pont Street and Pont Street Mews, W1

This scheme, situated a few yards south east of Harrods comprises four flats together with a new Mews development.

6 Palace Gate, W8

This development comprises five flats of exceptionally high quality situated close to Hyde Park

A number of other development sites are currently being evaluated on behalf of independent investors and joint venture partners.

An experienced team with an extensive track record

Leighton & Henley was founded in 2006 by Kerry Kearton-Gee, the Managing Director, together with Simon Roberts the Construction Director, David Stocker, the Development Director, Alex Stocker, the Planning Director, Christian Stocker, the Acquisitions Director and Peter Moy the Sales and Marketing Director.

The Team members have worked together for many years in a number of successful property enterprises.

Simon and David first joined Kerry in 1986 after the launch of the residential property development company, City Gate Estates Plc which raised £2.9m through public subscriptions. Simon became Construction Director and David provided architectural services through The Graham Berry Partnership. Alex subsequently joined David, assisting with City Gate projects and later at London and Henley.

City Gate was floated on the Unlisted Securities Market in 1988 and was finally sold to a group of Swedish investors in 1990 for £22.1m, thus generating substantial gains for investors.

In 1993, Kerry launched the Assured Tenancy residential investment companies Cavendish Geared Plc and Cavendish Geared Two Plc, subsequently raising over £9.5m through public subscription. Simon became Construction Director to these new Companies and architectural services were provided by David, Alex and Christian Stocker, then trading as David Stocker Associates. The Cavendish Companies were sold to London and Henley in 1998 for around £24.2m producing substantial gains for Shareholders.

In 1995, Kerry raised £44.2m in debt and equity to set up a new residential investment and development Company, London and Henley. Investors were funds managed by the institutions Kleinwort Development Capital, F & C Ventures, Gartmore and Gresham Trust. At this point Christopher Stewart-Smith joined the team as Chairman.

By July 1997, London and Henley had built up a portfolio worth £60m. Security Capital Global Realty purchased London and Henley and the two Cavendish Companies in 1998 and 1999 in a deal worth £150m, allowing the Cavendish Shareholders and the institutional investors to exit with a considerable profit.

Between 1998 and 2000, the portfolio continued to increase in size to around £200m once fully developed. At the end of December 2000, a part sale to British Land allowed the original management to exit. Sale prices and other information was the subject of a confidentiality agreement, however one of the investing institutions reported earning an IRR of over 41% during the period of its investment.

The Leighton & Henley development process

- 1 Upon identifying a potential development or investment property, Leighton & Henley undertakes a thorough appraisal of the building including its general condition both structurally and decoratively and its potential to add value through re-planning or extension.
- 2 Significant additional or improved space can be identified through the proper utilisation or design of common areas, roof spaces, cellars and basements etc. In a number of cases additional floors can be created through the reconstruction of the building internally.
- 3 Construction and renovation costs are evaluated in-house by Leighton & Henley, who will also design the most efficient working methods and the most economic selection of materials based upon fitness for purpose, cost and the ultimate effect on the final design and consequent value.
- 4 The property is purchased subject to thorough searches, including previous planning permissions which may be further developed as necessary.
- 5 All design work is carried out in consultation with experienced sales agents, a recognised interior designer and thorough research into the current market requirements and strengths.
- 6 Detailed construction estimates are prepared "at cost", taking into consideration design requirements, the best construction systems and materials available, working conditions and site access.
- 7 All design drawings for construction, (including obtaining planning and building regulations approval), quantity surveying and marketing functions are undertaken by the Leighton & Henley management team, who appoint specialists in all fields where additional or specialist input is deemed beneficial to the process.
- 8 Leighton & Henley carries out construction works through the appointment of specialist sub-contractors chosen through competitive tender.
- 9 The management contracting or "at cost" system enables Leighton & Henley to control the cost and management of the work much more closely than appointing a main contractor. Many of the sub-contractors employed are known to Leighton & Henley and have worked with the management team for a considerable number of years. Leighton & Henley is able to appoint known specialist sub-contractors whom it believes will produce the best product within the shortest time scale.
- 10 During the construction period Leighton & Henley liaises with selected agents to ensure that the completed product remains in touch with current market demands and pre-sales are arranged where appropriate. On completion, if not sold during the development process, the completed property is put on the market either for sale, or to let, often with the assistance of agents.

Building “at cost”

In the majority of cases major developments or reconstruction works are undertaken by a single or main contractor possibly using one or two nominated contractors or suppliers. The contract sum will be made up of the costs of employing sub-contractors or direct labour to which will be added the main contractor's profit, overheads, risk premium and management costs. Building, “at cost”, typically results in savings of around 15% on competitive tenders submitted by a main contractor.

In addition, an employer or investor would require the services of an architect, quantity surveyor or project manager to administer the contract for them. The cost of this extra tier of management is eliminated through the use of the Leighton & Henley management contracting or “at cost” construction arrangements.

By depending on development profits rather than construction profits, Leighton & Henley is incentivised to complete the development as cheaply as possible.

A typical main contractor is not driven to interpret a contract in such a way as to minimise costs, thus increasing their profit. Leighton & Henley is incentivised to minimise the cost of building in order to maximise development profits and thus keep the level of equity or debt required to a minimum.

Under normal circumstances the main contractor would enter into a standard form of contract with the employer which would extend to all the works. By building, “at cost”, Leighton & Henley obtains separate tenders for each development stage from a pool of approved sub-contractors well known to them. Leighton & Henley thus ensures that the most satisfactory sub-contractor is employed for each particular stage of the work.

Each sub-contractor enters into a standard form of contract with the employer thus providing more detailed and extensive control not easily available when entering into a single contract with a main contractor. The “at cost” system, therefore gives Leighton & Henley greater and more specific control over the construction of works.

Leighton & Henley fees and profit share

Once a completed development has been sold or let, the investor will receive a priority profit representing an IRR of 20 % on the equity invested. The residual profit will be split 50/50 between the investor and Leighton & Henley.

Depending upon the circumstances, other arrangements may be agreed between the parties.

In addition, Leighton & Henley will receive fees as appropriate for work it undertakes acting in a traditional professional role as architect, planning consultant or quantity surveyor.

Leighton & Henley will not be entitled to any charges in excess of recognised professional fee scales.

Certain other reasonable costs incurred in the preparation of accounts and financial statements as required will also be charged subject to an agreed maximum.

Most of the charges and profit share are in practice met out of the savings Leighton & Henley generates during the development process, thus keeping profit leakage to a minimum.

How we can help

The Leighton & Henley Opportunities Scheme was created principally to enable potential residential developers and investors to enter the market successfully by taking advantage of the extensive skills and expertise offered by Leighton & Henley.

As well as assisting new investors, Leighton & Henley can offer the same skills to those who already hold individual properties or development opportunities.

In the case of existing property funds, Leighton & Henley manufactures most of its profits through the efficient application of its own skills and experience. There is therefore little or no profit dilution suffered by such funds in retaining the services of Leighton & Henley to identify and develop specific properties for them.

By appointing Leighton & Henley the funds' internal operating expenses and overheads can be kept to a minimum, thus reducing risk.

The Directors

Kerry Kearton-Gee Managing Director

Kerry Kearton-Gee became a founder director of Central London property developer City Gate Estates Plc in 1986.

In 1993, he founded Cavendish Geared Plc and Cavendish Geared II Plc before establishing a new residential investment and development company, London and Henley Ltd, in 1995.

All these Companies were eventually sold, producing substantial profits for Shareholders.

A more detailed history of these companies can be found on page 6.

Christopher Stewart-Smith, CBE Non-Executive Chairman

Between 1966 and 1971, Christopher was a consultant with McKinsey & Co. From there he became an executive director of the Sterling Guarantee Trust/Town & City Properties/ P&O Group until 1988.

Since then, Christopher has been chairman or director of various public and private companies involved in healthcare, life sciences, advertising, banking, property development and investment management. He was president of The British Chamber of Commerce between 1992 – 1994. He was chairman of London and Henley Ltd between 1995 – 1998.

Simon Roberts Director of Construction

Simon has worked in the construction industry for over 30 years, most of which has been in senior management positions. Simon's expertise is in providing cost and programme advice at feasibility stage, implementing the construction method, and tight cost and programme control to final completion.

Alexander Stocker Director

Alex Stocker has worked in the construction industry for 23 years. He has been responsible for the design and planning for numerous developments ranging from conversion of redundant properties, to large scale residential schemes in Central London. Alex is responsible for architectural design and planning strategy and implementation at Leighton & Henley.

Christian Stocker Acquisitions Director

Christian Stocker has extensive experience in the planning and development sector. He has been with Leighton & Henley since its inception, and is responsible for sourcing, appraising, and the acquisition of all the companies development sites.

David Stocker Director of Development

David Stocker has worked in the development and construction industry for nearly 40 years, providing his services through David Stocker Associates.

In 2000, he formed a development company building luxury houses concentrated in the Northern Home Counties. At Leighton & Henley, David is responsible for coordinating the design elements of the construction process.

Peter Moy Director of Sales and Marketing

Peter has spent 29 years in the estate agency industry with Stimpson Lock & Vince and later, the Aitchison Raffety Group. Peter joined the Leighton & Henley team just after inception in 2006 and is responsible for the sales and lettings of the Company's completed developments.

Selected Developments

A selection of design and build developments are described in the following pages. These developments, undertaken between 1985 and 2000, were frequently of a difficult and complicated nature. They were undertaken by a number of Companies; all of which were founded by Kerry Kearton-Gee employing substantially the current Leighton & Henley team, who consequently retained a major direct interest in the success of the project.

All these developments were predominantly of a residential nature and were situated in Central London. Existing buildings of various types were redeveloped or converted including offices, industrial buildings, schools, churches and a hospital.

Culford Gardens

Sloane Square,
London SW3

42 Apartments
33,400 sq ft



Project Description

The project involved the rear demolition of a Queen Anne Style facade building just off Sloane Square. New construction comprised an internal structural steel frame, with a new Mansard roof. The retained facade was fully restored. The floor area of the building was increased by 61%, and the work was completed in 18 months.

Hyde Park Gate

London SW7

25 Apartments
26,000 sq ft



Project Description

The project involved the rear demolition of un-modernised Victorian Stucco fronted houses. The finished product comprised of 25 high quality individually serviced apartments finished to an exacting specification, adding almost 10,000 sq ft or 40% to the existing building.

Upper Berkeley Street

London W1

38 Apartments
2 Mews Houses
41,000 sq ft



Project **Description**

The project involved the rear demolition of a terrace of large Victorian houses last used as a nurses hostel. The original number of floors was increased from 6 to 10, including two new basement car-parking levels. The finished product comprises of 38 apartments, 2 mews houses and a porter's flat all finished to a quality specification, achieving an increase in internal floor area of over 100%.

Carlisle Place

London SW1

Office Development
31,500 sq ft



Project **Description**

The project involved the rear and internal demolition of the former Brigade of Guards building in Victoria, originally built in 1865. A swimming pool was constructed within the basement area as part of a health club complex. The upper floors comprised of fully air-conditioned offices finished to a high level specification. By providing additional floors, the internal floor area was increased by 53%. The project was completed in under two years.

22, 29 & 30 Lancaster Gate

London W2

*18 Apartments
4 Mews Houses
34,100 sq ft*



**Project
Description**

The project involved the comprehensive redevelopment of 3 Grade II Listed Stucco fronted period buildings from offices to 18 luxury apartments and 4 mews houses. The buildings were sympathetically restored retaining all of the period internal features. The project was completed in 15 months.

Queen Gate Terrace

London SW7

*6 Apartments
7,200 sq ft*



**Project
Description**

The project involved the complete refurbishment of the building to form 6 luxury apartments, arranged over 7 floors. New construction comprised of a Mansard roof together with the complete refurbishment of the listed front and side facade. The project took just under 12 months to complete. The floor area was increased by 20%.

St Peters Church

London E1

32 Apartments
26,500 sq ft



Project Description

The project involved the conversion of a derelict Grade II Listed church into apartments. A new steel frame was installed internally, providing 6 new floors, thus increasing the total floor area by 600%. The listed façade was completely refurbished and additional windows matching the originals were designed to improve lighting to the new galleried apartments. The project took 15 months to complete.

St Mark's Hospital, City Road

London EC1

80 Apartments
65,000 sq ft



Project Description

Planning permission to convert this substantial Grade II Listed Victorian hospital into 66 apartments had already been granted when the Company acquired the site. Following a major redesign of the original proposals, 80 apartments were built by taking advantage of unconverted roof voids and the better use of available space. The development was completed within 18 months.

Weddel House, Smithfield

London EC4

66 Apartments
60,000 sq ft



Project Description

This 19th century office and warehouse building, arranged over 10 floors, was reconstructed to form 66 substantial apartments with retail units on the ground floor. As part of the purchase conditions, the entire rear wall of the building was cut back to allow space for the construction of a new Livery Hall for the Worshipful Company of Haberdashers. Substantial savings on costs were achieved by designing the new accommodation around the existing major structural elements. The development was completed in 18 months.

13 – 16 Byward Street

London EC3

32 Apartments
29,400 sq ft



Project Description

This project involved the conversion of a Grade II Listed Portland Stone clad office building into high quality apartments. The internal floor areas were increased by 20% in a complex operation involving the dismantling of existing stonework, prior to re-building it in its new position. The project was completed in 18 months.

58 – 60 Fleet Street

London EC4

19 Apartments
11,900 sq ft



Project Description

This project involved the reconstruction of two office buildings arranged over retail units at different levels. The development resulted in the construction of attractive split level units with external balconies and an atrium over the central core. The project was completed in 12 months.

86 Cannon Street

London EC4

4 Apartments
3,400 sq ft



Project Description

The project involved the redevelopment of a period office building to create 4 spacious apartments. The works were undertaken in difficult circumstances and designed to cause the minimum disruption to the business of the existing ground floor retail unit. The project was completed in 9 months.

For further information about investment opportunities or individual properties, please contact us:

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