

Company Profile

Making an impact by massive investments

Few property companies can have made quite such an impact in the first three years of their existence as Greycost Estates has since becoming a public company through its merger with Chaddesley Investments in August 1978.

With two massive developments planned no group has more to lose from a Greater London Council ban on office development in the capital. But chairman Lord Chelmer remains confident that the group will eventually win the day over Coin Street, while plans are well advanced for the office development over Victoria Station.

Greycost shares, which at 180p yield a mere 0.3 per cent, stand at a hefty premium to net assets of barely 100p so there is obvious faith in the management expertise of former Sterling Land directors Stuart Lipton and Geoffrey Wilson.

From their private Greycost Estates group they brought with them equity stakes in a number of major schemes with Standard Life, including the massive Cutlers Gardens scheme in the City, now nearing completion.

Chaddesley had a fairly uneventful existence going back to 1961, holding a portfolio of primarily retail properties with a rent roll of £600,000 at the time of the merger. The major shareholder, the French group CapiSA, had made an unsuccessful takeover bid in 1976, and in its final year before the Greycost deal, Chaddesley made a pre-tax loss of £17,500.

The group's name was changed to Greycost Estates in January 1979, and to March 31 of that year chairman Lord Chelmer was able to report after-tax profits and pre-acquisition profits of £79,327 against £20,274 the previous year.

Prime objective was to be the building up of investment income, by gradually increasing the stake in joint schemes, but at the same time not ruling out trading situations. The Chaddesley portfolio was in part disposed of, but recent favourable rent reviews mean that a number of properties will be retained.

Until the battle over Coin Street is resolved, the flagship of Greycost's portfolio will be the 790,000 sq ft Cutlers Gardens development at Devonshire Square, EC2, which is one of the largest City office schemes ever undertaken.

Besides the office content the scheme will also include shops, restaurants, squash courts, parking for 125, and a block of flats. Many of the 18th century premises built on the site by the East India Co are being restored and refurbished.

Letting rumour

There are rumours of a 100,000 sq ft pre-let which if it is at the asking rent of £18 per sq ft and leads to a rapid take up of the remainder, could produce net rental income of £850,000 pa for Greycost. This is on the basis of the agreement with Standard Life under which Greycost receives 6 per cent of total net rental income.

But the group's interest in the scheme is not confined to future balance sheets since income will benefit from Greycost's retention as manager of the entire estate.

Another scheme almost complete is the striking 150,000 sq ft office development at 250 Euston Road, across the road from Wimpey and Stock Conversion's massive Euston Centre complex. This too was a



Greycost London's impressive 150,000 sq ft development at 250 Euston Road is nearing completion. It has been forward funded by Legal & General and pre-let to Davy International.

joint scheme, undertaken by Greycost London Estates which is jointly owned on a 50/50 basis with Sir Robert McAlpine.

Funding to the tune of £20m was arranged with Legal & General and the scheme was entirely pre-let to Davy International at a rent to be computed on completion. Under the terms of the agreement, Greycost London will receive 16 per cent of rental income, and assuming a rent of £15 per sq ft this would produce a figure of £180,000 pa for Greycost.

Hotly debated

Redevelopment of the South Bank of the Thames has proved one of the most contentious issues ever among planners, architects, developers and local community groups. Coin Street is not the only hotly debated proposal, but is the one which has aroused most public interest and focused attention on Greycost.

The group's plans for the 12.5 acre site, which form the basis of the share premium, are for 885,000/995,000 sq ft of offices, 200,000 sq ft of housing, 185,000 sq ft of shopping and recreation and leisure facilities and 30,000 sq ft of industrial space. Chairman Lord Chelmer says the group's Richard Rogers-designed scheme would make an unparalleled commercial, social and employment contribution to this area, but local community groups think otherwise.

Following a 1979 public inquiry Greycost formed a new joint company with Commercial Properties, the other major land owner on the site. This new company, Greycost Commercial, entered into a conditional contract with the GLC to acquire its land interests on the Coin Street site, so it now controls most of the land for the proposed development.

But the purchase agreement with the GLC was subject to a number of conditions, the most important being that within three years of signing the agreement last April, the group must obtain consent for its present application. The latest public inquiry is due to open next week, with the ultimate decision resting with Environment Secretary Michael Heseltine.

It seems likely that he will eventually give the go-ahead, probably with certain modifications, but in any event Greycost Estates' financial liabilities on the site are not excessive. In a qualifying note to the latest accounts for the year to March 31 the auditors point out that no provision has been made for expenditure

incurred or likely to be incurred.

Greycost's share of expenditure to date has been £225,000, but in the agreement

with the GLC Greycost would have to find half the cost of acquiring the site, which should not be more than £950,000.

The other scheme to have hit the headlines in the last year, again a Greycost London scheme, is the proposed redevelopment of Victoria Station in conjunction with British Rail. Detailed planning consent has been obtained for the development, which would provide 220,000 sq ft of offices on a raft above the railway station, and arrangements with British Rail are nearing completion.

There is also an even longer term plan for more than 500,000 sq ft of offices west of Liverpool Street Station, EC2, and Greycost has a 34.3 per cent stake in Rosehaugh Greycost Estates which owns the land. The directors regard this as a promising investment.

At the same time as these major schemes the group has continued to show improving results, reflecting the

contribution of the Chaddesley portfolio, and a number of smaller office schemes in London.

Taxable profits reached £242,200 in the year to March 1980, after the previous year's figure of £299,300, which included pre-acquisition profits of £204,400. Dividend for the year was raised from 0.28p to 0.32p.

Healthy jump

The latest figures, for the year to March 1981 show a healthy 43 per cent jump in pre-tax profits to £345,000, with distributions for the year rising to 0.37p. Turnover rose from £696,000 to £892,000. As a measure of the group's conservatism the dividend is covered six times by earnings per share of 2.34p.

With the satisfactory completion of its first cycle of major developments, which includes a 150,000 sq ft headquarters building for

engineers Sir William Halcrow in Hammersmith, the group has no shortage of further proposals. A gradual increase in the size of its stake in these developments will form the basis of its investment portfolio.

Among these second-line schemes is the refurbishment and modernisation of 193/207 Victoria Street, SW1, which comprises ground floor shops with 8,800 sq ft of offices above, as well as Imperial House and Quadrant Arcade, Regent Street, W1. Both these properties were acquired in all-share deals.

By concentrating entirely on prime central London commercial developments, Greycost has considerable growth potential, with institutional funding underlining the high quality of the developments. The shares may stand at a substantial premium, but all could be transformed if Michael Heseltine gives his blessing to Coin Street.



The brightest ideas in estate development.



Atcost can offer practical solutions for any kind of estate development project. We've a complete range of structures to meet every need.

The Atcost 80 is one very good example.

Combining curved eaves plastic-coated steel cladding panels and variable height precast gutters, it's breathing new life and colour into building design. Yet

it still retains all of Atcost's famous down-to-earth economy.

We've full literature on our entire range. Plus a brand new brochure highlighting Atcost's advantages for Nursery Unit projects.

For your free copy, just clip the coupon. It could brighten your horizons considerably.

I have a project in mind. Please send me your Nursery Units brochure Full details of your Estate Development range

Name _____ Tick if student

Company _____

Address _____

Tel: _____ E7

Post to your nearest Atcost office.
LONDON Atcost Limited, 22 Old Bond Street, London W1X 3DA. 01-493 0802.
SOUTH Atcost Limited, The Pantiles, Tunbridge Wells, Kent TN2 5TH. Tunbridge Wells 26288.
MIDLANDS Atcost Limited, Somersham Road, St Ives, Huntingdon, Cambs. PE17 4LW. St Ives 64077.
NORTH AND SCOTLAND Atcost Limited, Munro Road, Stirling FK7 7TA. Stirling 62911.

