

Debt pair put £170m behind Queensgate offices takeover

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DRC Capital and Cheyne Capital fund purchase of Executive Offices and its 28 central London assets

DRC Capital and Cheyne Capital have provided a £170m whole loan to Queensgate Investments to fund its purchase of Executive Offices Group.



The opportunistic debt investors paired up to provide finance for the acquisition from Morgan Stanley Real Estate Fund V, which has now completed.

The £260m price reflects a loan-to-value ratio of 65%. The four-year facility has been provided to Queensgate Investments Fund I — a £500m fund managed by Queensgate Investments.

The company is run by former London & Regional director Jason Kow and backed by the LJ Group, which sources funds from wealthy individuals from the Far East.



The purchase of Executive Offices Group includes operations, as well as property assets: 28 upmarket central London serviced offices, which total 513,700 sq ft. Ten centres, totalling around 230,000 sq ft, are owned freehold, among them 53 Davies Street, 2 Eaton Gate, 78 Pall Mall, 33 St James's Square in the West End and 1 Cornhill in the City of London.

The centres are 88% occupied with around 3,000 customers. Turnover was around £45m last year.

"The quality of the real estate and the business fitted in with the profile of our investors," Kow told Property Week.

"We are comfortable with the operating business, which provides a product and service that is better than any other serviced office business."

Queensgate will seek to increase revenue from existing centres, and buy and lease new properties to occupy. It has no ambitions to expand outside the capital, having previously tried ventures in Cambridge, Amersham and Leeds.

It also has no plans to separate the property and operating assets into an "op-co/prop-co" structure.

"When lending to businesses like this, student housing and hotels, having a highly competent operational business is very important, which is why we felt comfortable with Executive Offices Group," said Shamez Alibhai, partner at Cheyne.

Queensgate is targeting investments with "multiple exits".

In January it also bought the long leasehold of a 7.4 acre site in Greenwich from AEG Europe to develop a 452-bedroom luxury hotel, conference centre and residential development.

Ereira Mendoza advised Queensgate.