

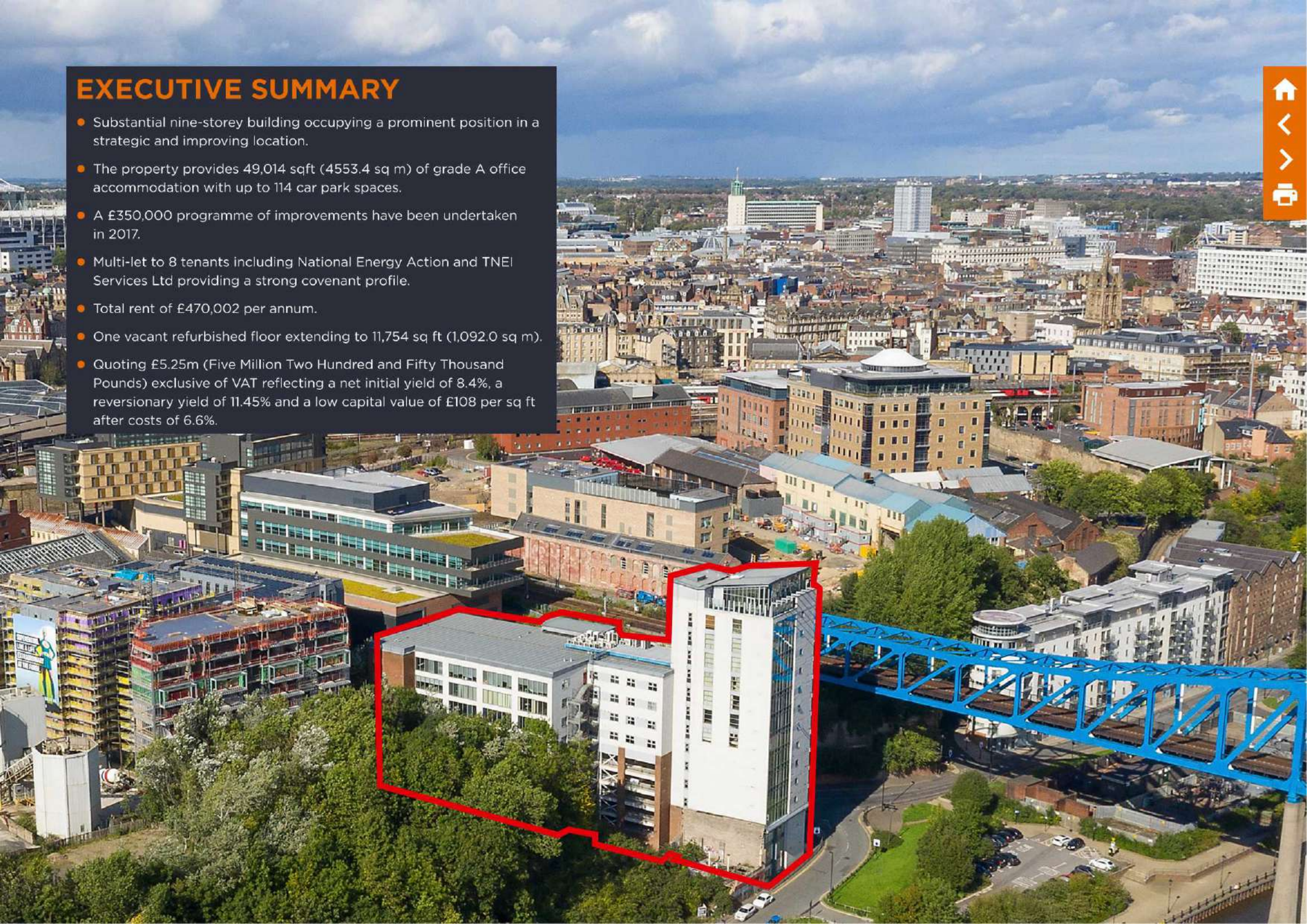
West One

Forth Banks,
Newcastle-upon-Tyne NE1 3PA
GRADE A OFFICE INVESTMENT



EXECUTIVE SUMMARY

- Substantial nine-storey building occupying a prominent position in a strategic and improving location.
- The property provides 49,014 sqft (4553.4 sq m) of grade A office accommodation with up to 114 car park spaces.
- A £350,000 programme of improvements have been undertaken in 2017.
- Multi-let to 8 tenants including National Energy Action and TNEI Services Ltd providing a strong covenant profile.
- Total rent of £470,002 per annum.
- One vacant refurbished floor extending to 11,754 sq ft (1,092.0 sq m).
- Quoting £5.25m (Five Million Two Hundred and Fifty Thousand Pounds) exclusive of VAT reflecting a net initial yield of 8.4%, a reversionary yield of 11.45% and a low capital value of £108 per sq ft after costs of 6.6%.



PARTNERIZE

**THINK BIG
BE TENACIOUS
IF WE SAY IT
WE DO IT**





Granger Street

Collingwood Street

St Nicholas Building

Vita student accommodation

Sleeperz Hotel

Union Rooms

Roomzzz

Hampton by Hilton

Royal Station Hotel

Roman House student accommodation

House of Tides

The County Hotel

The Melia Hotel

Newcastle Central Station

Central Square

Central Square South

Genting Casino

The Travelodge

The Boiler Shop

Hanover Mill

The Copthorne Hotel & car park

Stephenson Quarter

The Phoenix

North East Futures University Technical College (UTC)

Mill House

The Crowne Plaza 4* Hotel

The Rocket Grade A office

West One

Multi-storey car park

Northumbria Police HQ

The Forge

Under offer for residential development

The Cemex site: proposed residential accommodation





LOCATION

Newcastle upon Tyne is located approximately 286 miles north of London and 105 miles south of Edinburgh and is the commercial and administrative capital of the North East, located in the county of Tyne and Wear.

Newcastle is the seventh largest city in the UK with a population of approximately 273,000 people, extending to in excess of 1,600,000 people within the wider Tyneside conurbation. The city benefits from excellent road, rail and air connections with Newcastle Central Station serving the East Coast Mainline and providing a fastest journey time of 2 hours 40 minutes to London Kings Cross and 1 hour 30 minutes to Edinburgh Waverley.

The Central Station also provides the main interchange for the Nexus Tyne and Wear Metro light railway network, supporting 60 stations. Newcastle International Airport is situated approximately 7 miles west of

the city centre providing regular flights to key domestic, European and international destinations.

SITUATION

West One occupies a prominent position on Forth Banks (B1600) at its intersection with Skinnerburn Road, to the south west side of Newcastle city centre.

Forth Banks intersects with Forth Street 180 metres north of the property where there is newly developed purpose-built student accommodation, a Genting Casino, two Grade A office buildings known as Central Square (83,000 sq ft) and Central Square South (87,000 sq ft), along with the Boilershop event space and the Stephenson Quarter development.



REGENERATION

The subject property was the first new development on the western Quayside area since the mid-1990's and has acted as a catalyst to other new developments and significant upgrading and improvement of this important location.

Diagonally opposite is the Stephenson Quarter completed in 2016 and consists of a 35,000 sq ft Grade A office; a 5-level multi storey car park; and The Crown Plaza Hotel 4* hotel. The offices were successfully let to Convergys prior to completion.

Phase II is currently underway and will see development of a six-storey Grade A office; a North East Futures University Technical College (UTC); and the refurbishment of Hawthorne House into studio office space.

Immediately north of West One, Moorfield Group and Panacea Property are developing 280 high quality private residential apartments known as "The Forge", including 3,000 sq ft retail offering. Completion expected Q4 2018. It is anticipated that the ground floor retail unit will be let to a convenience operator/food operator, which will further enhance the immediate area.

The police station at the top of Forth Banks was fully refurbished in 2015 at a cost of £5.5m and now serves as the headquarters for Northumbria Police.



Other ongoing or planned development opportunities:

- 9 storey student block immediately adjacent.
- Development of the Cemex site for residential, retail and amenity use.
- Development of 15 acre site 500 meters to the west known as Urban Village, Quayside West of 1500 homes with 114,000 sq ft of commercial uses.
- 275 meters to the east a new 120 bed Travel Lodge and under construction a 160 bed 4* Melia Hotel.
- Newcastle improved access plans for central station.

The combination of projects taking place in the vicinity of West One has greatly improved the immediate area further improving it for business occupiers.



DESCRIPTION

West One comprises a modern, 2008-build nine storey office building of steel frame construction with a mix of composite and brick cladding. The property provides car parking to the lower four floors of the building, with floors five to eight in office use. The curved southern part of the building (sold off long leasehold) is known as Forth Banks Tower and provides residential accommodation with commercial uses to the ground, first and second floors.

Internally West One provides Grade A open plan office accommodation with suspended ceilings and raised access flooring. The property benefits from LG7 LED lighting and ceiling mounted air heating and cooling throughout the offices. Two 13 person passenger lifts provide access to every floor alongside modern specification WCs. The 8th floor benefits from a roof terrace.

The property has 54 car parking spaces providing a ratio of 1:900 sq ft. When combined with the car parking spaces leased from the Copthorne Hotel, the ratio is 1:427 sq ft. This compares very favourably to other offices in Newcastle city centre.

A £350,000 programme of improvements was undertaken within the property in 2017. This included remodelling of the entrance lobby and all communal areas, as well as a total refurbishment of the 5th floor.

ACCOMMODATION

The property provides the following net internal areas:

Building	Floor / Suite	Sq m	Sq ft
West One	Fifth	1,092.0	11,754
West One	Sixth	1,093.9	11,775
West One	Seventh	980.7	10,557
West One	Eighth	904.5	9,736
Forth Banks	Ground	167.2	1,800
Forth Banks	First & Second	315.1	3,392
Total		4,553.4	49,014





TENANCIES

Building	Tenant	Floor	Area sq ft (sq m)	Lease Start	Lease Expiry	Rent Review (Break Option)	Rent (pa)	Rent (psf)	West One Car Parking	Copthorne Car Parking	Comments
West One	Performance Horizon Group Limited	Eighth Floor	9,736 (904.5)	20/02/2015	19/02/2025	20/02/2020 (20/02/2020 & 18/09/2021)	£146,790	£15.08	15	15	Tenant break subject to 6 months' prior written notice.
West One	Hempsons Limited	Part Seventh Floor	5,468 (507.9)	28/07/2009	07/09/2019		£80,250	£14.68	4	0	
West One	TNEI	Part Seventh Floor	2,408 (223.7)	06/02/2018	05/02/2023		£34,916	£14.50	2	0	Tenant granted 9 months rent free
West One	Sirus Market Access Limited	Part Seventh Floor	2,681 (247.1)	08/02/2018	7/02/2023	(08/02/2021)	£38,874	£14.50	2	2	Tenant benefits from 9 months' rent free from lease commencement and a further 3 months if break not actioned. Tenants break subject to 6 months' notice.
West One	National Energy Action	Part Sixth Floor	7,222 (670.9)	06/08/2010	05/08/2020		£100,000	£13.85	7	6	
West One	Who can fix my car .com Ltd	Part Sixth Floor	4,553 (422.9)	24/10/2018	23/10/2023		£64,880	£14.25	3	3	Schedule of condition
West One	Vacant	Fifth Floor	11,754 (1,092.0)	—	—	—	—	—	18	27	GVA marketing at £188,000 pa (£16/sqft). L/L to provide 2 years rates and s/c guarantee
Forth Banks	Parkers Executive Chauffeurs Limited	Ground Floor	1,800 (167.2)	20/01/2011	19/01/2021		£14,000	£7.78	0	7	
Forth Banks	Momentum Scotland	First & Second Floors	3,391 (315.0)	28/04/2017	27/04/2022	(28/04/2020)	£40,692	£12.00	3	0	Tenant benefits from 3 months' rent free if break not exercised.
Forth Banks	Triplerose Limited	Residential Apartments	—	27/11/2006	07/12/2131		Peppercorn Rent		37	0	Res accom and 37 CPS which are sold off on a LLH.
Total			49,014 (4,553.4)				£520,402		91	60	54 spaces in Forth Banks along with Copthorne CPS are available to rent with offices.
Copthorne Hotel		Car Park (60 Spaces)	—	20/03/2011	19/09/2021		(£50,400)				60 spaces held under one lease containing rolling 6 monthly mutual break option. Further details can be provided on request
Total Net Rent							£470,002				

SERVICE CHARGE

The 2018 service charge figure is based on £3.50 psf. The rates payable on the fifth floor is £75,979 per annum and the current service charge is £32,731 per annum. The service charge is anticipated to continue at the present rate through 2018/2019.

TENURE

Freehold.





West One



COVENANT PROFILE

Tenant	Year End	Turnover	Pre-Tax Profit	Shareholders' Funds	Creditsafe Rating
Performance Horizon Ltd	31/12/2017	£15.48m	(£6.42m)	£4.33m	62 (B) - Low Risk
Hempsons Ltd	30/06/2017	—	—	£441,964	64 (B) - Low Risk
TNEI Services Ltd	31/12/2016	£5.655m	£611,528	£2.18m	79 (A) - Very Low Risk
Sirus Market Access Ltd	31/05/2016	—	—	£122,296	69 (B) - Low Risk
National Energy Action	31/03/2017	£27.85m	£453,519	£4.40m	£74 (A) - Very Low Risk
WhoCanFixMyCar.Com Ltd	31/12/2016	—	—	£511,944	83 (A) - Very Low Risk
Parkers Executive Chauffeurs Ltd	28/02/2017	—	—	(£14,825)	36 (C) - Moderate Risk
Momentum Scotland	31/12/2016	£4.84m	£180,656	£1.80m	95 (A) - Very Low Risk



MARKET OVERVIEW

The Newcastle occupier market has remained strong in the post EU Referendum environment. Take-up in Q2 2018 reached the highest quarterly total for three years, headlined by two 30,000 sq ft out-of-town deals to Hays Travel and Tommy Tippee. The city centre has been dominated by a number of medium-sized deals to professional service firms including lawyers DWF (7,500 sq ft) and engineering firm Patrick Parsons (7,400 sq ft) at Central Square. Newcastle University took the largest city centre deal of 13,600 sq ft at Northumberland House.

Prime headline rents in Newcastle are now at £24 per sq ft with landlords optimistic about moving rents on substantially in the near future. Supply remains severely limited, with no new development expected until December 2019.

Grade B rents in Newcastle range from £12.00 per sq ft to £17.50 per sq ft depending on location and quality, though this sector is highly differentiated, with the majority of Grade B space of poor quality and not fit for modern occupier requirements.

Comparable space to West One is arguably the most restricted in the city, with circa 9 months' availability compared to five year average take up figures. West One is among the only schemes to genuinely cater for the B+ market, offering very competitive rental levels for a full grade A specified accommodation.



OCCUPIER MARKET

Recent comparable letting evidence is detailed in the table below:

Building	Description	Rent (per sq ft)	Date
Cathedral House	36,804 sqft over 6 floors	£17.50	Q2 2018
Maybrook House, Grainger Street	3,783 sq ft 4th floor, let to JBA Consulting	£15.40	Q1 2018
West One, Forth Banks	2,681 sq ft on 7th floor let to Sirius Market Access Ltd	£14.50	Q1 2018
Generator Studios, Trafalgar Street	3,930 sq ft 2nd floor let to Time Claims Ltd	£15.00	Q3 2017
Generator Studios, Trafalgar Street	4,000 sq ft of ground floor let to Hedgehog Lab	£15.00	Q2 2017
41-51 Grey Street	3000 sq ft on F/F let to Gutteridge Hasters and Davey	£17.00	Q1 2017
The St Nicholas Building, Westgate Road	19,200 sq ft listed office let to Frank Recruitment	£20.50	Q1 2017

The above and prime levels of rent achieved compare favourably with the passing rents in West One which range from £14 and £15/sqft inclusive of car parking.

INVESTMENT MARKET

We have detailed below recent office and investment transactions in Newcastle upon Tyne:

Property	Size (sq ft)	Price / Date / Yield	Capital Value	Comments
Generator Studios, Trafalgar Street, Newcastle	41,354	£6.45m / June 2018 / 8.75%	£156	Multi-let office building developed in mid-2000s fully let to 11 tenants
Rotterdam House, 116 Quayside, Newcastle	35,686	£10.10m / April 2018 / 6.43%	£275	Grade A office let to 3 tenants including Ramboll, Stantec and Regus with WAULT of 5.92yr.
Bede House, All Saints Business Park, Newcastle	37,929	£4.00m / Sept 2017 / 8.60%	£105	Multi-let 1960's office block situated to the south of the city centre
Keel Row House, 1 Sandgate, Newcastle	23,794	£8.89m / August 2017 / 5.57%	£370	Grade A office fully let to Ward Hadaway with 13.5 years unexpired.
Maybrook House, Grainger Street, Newcastle	39,945	£5.61m / Jun 2017 / 6.00%	£140	Retail with offices above.
The St Nicholas Building, St Nicholas Street, Newcastle	67,965	£19.30m / March 2018 / 6.00%	£300	Multi let with tenants including Ranstad and the National Audit Office.



ASSET MANAGEMENT

We consider the following asset management plan would enhance value:

- Let out the fifth floor - GVA quoting £188,000 pa
- Removal of break options/lease extensions
- Reduce the number of spaces rented from the Copthorne Hotel - increasing rent received

INVESTMENT RATIONAL

- Grade A building in improving area with significant completed and ongoing development.
- Comparatively low rent and capital value
- Very attractive net initial and reversionary yield
- Asset management angles to increase capital value



EPC

EPCs available on request.

VAT

We understand the property is elected for VAT and it is anticipated that the transaction will be treated as a TOGC.

PROPOSAL

We have been instructed to seek offers of **£5.25m (Five Million Two Hundred and Twenty Five Thousand Pounds)** for our client's Freehold interest, subject to contract and exclusive of VAT, with the benefit of a 2 year rates and service charge guarantee on the fifth floor.

This price reflects a **net initial yield of 8.4% and a reversionary yield of 11.45%** after deductions of purchasers' costs at 6.6%, or a low capital value of £108 per sq ft.

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