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Subject to Contract and Exclusive of VAT

City Centre Office Investment Well Secured to the Government



INVESTMENT SUMMARY

- **Purchase price of £1,800,000.**
- **Net initial yield of 5.25%.**
- **Annual fixed uplifts of 2.5% compound.**
- **Long Leasehold, 172 years unexpired.**
- **A new 15 year lease to the Government (10 years term certain).**
- **Total net internal area of 507.9 sq m (5,467 sq ft).**
- **Newly constructed office unit.**

LOCATION

Newcastle Upon Tyne is located in the north-east of England and is approximately 192.2 kilometres (119.4 miles) south of Edinburgh and 443.7 kilometres (275.7 miles) north of London.

The City of Newcastle is the principal commercial centre in Tyne and Wear and is the regional capital of the north-east. In recent years, the town centre has benefited significantly from major development which has transformed the city's profile including the complete regeneration of Quayside.

Trinity Garden

At Newcastle's Quayside, the Trinity Garden Scheme was developed by Silverlink Properties, comprising 11,148 sq m (120,000 sq ft) of leisure, office and residential accommodation.

City Quadrant

At the junction of Westmorland Road and St. James Boulevard, AMCO and Ashtenne Residential are due to complete a development comprising 1,752 sq m (18,868 sq ft) of retail/leisure, 2,108 sq m (22,700 sq ft) of offices and 60 flats. (www.cityquadrant.co.uk)

Newcastle Airport has recently benefited from a multi-million pound refurbishment programme including a new £26 million terminal building, which will provide international flights.

Major employers in Newcastle include The AA, Northern Rock, British Airways, The Sage Group and Vickers.

DEMOGRAPHICS

According to Census 2001, Newcastle Upon Tyne has a district population of 259,536 and approximately 1,340,000 within a catchment area of 19.3 kilometres (12.0 miles).

With regard to socio-economic data, 20.9% of the population are qualified as opposed to the national average of 19.8% (Census 2001). The CACI lifestyle Groups index confirms 4.3% of the population comprising aspiring singles as opposed to the national average of 3.9%.

COMMUNICATIONS

Newcastle benefits from excellent communications:

The A1 dissects Newcastle Upon Tyne providing a route to Edinburgh in the north and also connects with the A1 (M1) approximately 8.0 kilometres (5.0 miles) south of the city centre providing access to Leeds and London. Additionally, the A1 joins the A1231 approximately 14.8 kilometres (9.0 miles) to the south providing access to Sunderland.

Rail services to London, Edinburgh, Sunderland and Leeds run frequently from Newcastle Central Station. A direct service to London King's Cross has a fastest journey time of approximately 3 hours.

Newcastle international airport is some 11.4 kilometres (7.1 miles) north-west of the city centre providing flights to various UK and European destinations.

SITUATION

The building is located in the city centre on the west quadrant of Waterloo Street at its junction with Peel Lane, bounded by Westgate Road to the north and Westmorland Road to the south. The building is approximately 0.4 kilometres (0.3 miles) west of Newcastle Central Station and approximately 0.8 kilometres (0.5 miles) to the south-west of Newgate Shopping Centre.

The property is located in an area that has been transformed into a unique metropolitan environment and is situated in a prime business core, surrounded by a vibrant mix of retail, office, leisure and residential accommodation. The building is adjacent to a mediterranean style piazza and is in close proximity to major recent developments including the International Centre for Life which comprises retail and offices, a 150 bed Holiday Inn Hotel and a new 430 space multi-storey car park currently nearing completion.

Additionally, there are various cultural attractions close to the building, such as the Tyne Theatre and Opera House, Blackfriars Craft Centre and the Discovery Museum.



DESCRIPTION

The office element is part of a new development by London & Regional Properties. The newly constructed building is arranged over seven storeys and comprises 83 luxury residential flats with office accommodation on the ground floor. Built in 1933, the art deco building is predominantly of a frame construction with brick and rendered panel elevations. The developer has retained many of the original features including the imposing atrium and façade.

The office accommodation is situated at the north wing of the ground floor with an entrance to the rear elevation of the building. The Government has recently fitted out the office, at a cost to the head-lessor in the region of £500,000, to a specification including:

- Category II lighting.
- Category 5 data and telephone cabling.
- Floor to ceiling windows.
- VRV heating and cooling systems.
- Raised access floors.
- Suspended ceilings.
- New double glazed metal framed windows.
- Male, female and disabled toilets.

ACCOMMODATION

We have been advised that the ground floor unit provides a total net internal area of 507.9 sq m (5,467 sq ft).

In addition, the office suite benefits from 5 car parking spaces in the basement of the property.

TENURE

The long leasehold interest is for a term of 175 years from 1 January 2003, thus expiring in January 2178 (**172 years unexpired**) at a peppercorn rent.

TENANCY

The property is let in its entirety to the **First Secretary of State** on a new lease for a term of 15 years commencing 19th December 2005 and expiring on 19th December 2020 with a tenant break option on 19th December 2015 (**therefore having approximately 10 years term certain**). The current passing rent is **£100,000 per annum** equating to approximately **£196.87 per sq m (£18.29 per sq ft) overall**. The lease is subject to a full repairing and insuring lease with annual fixed uplifts of 2.5% compound throughout the term. The yield profile is as follows:

Year	Rent Per Annum	Net Initial Yield
1	£100,000	5.25%
2	£102,500	5.38%
3	£105,062	5.51%
4	£107,689	5.65%
5	£110,000	5.79%
6	£113,141	5.93%
7	£115,969	6.08%
8	£118,869	6.24%
9	£121,840	6.39%
10	£124,886	6.55%

PRICE

The long leasehold interest can be acquired for a price in excess of **£1,800,000** reflecting a **net initial yield of 5.25%**, and a **true equivalent yield of 5.68%** based upon costs at 5.7625%.

VALUE ADDED TAX

The property has been elected for VAT and will therefore be treated as a Transfer of Going Concern (TOGC).

INVESTMENT CONSIDERATIONS

- **The city of Newcastle is an established commercial centre in the north-east of England that has been the focus of considerable and continued investment in recent years.**
- **Attractive yield profile; a net initial yield of 5.25% with 2.5% compounded annual fixed uplifts.**
- **City Centre location in close proximity to the railway station.**
- **Well secured for a 10 years term certain to the Government.**
- **The newly constructed office accommodation benefits from a high quality specification and secure underground parking.**

SUBJECT TO CONTRACT AND EXCLUDING VAT

