

Freehold Multi-Let City Centre Office Investment



Anchor House, The Maltings, Silvester Street

Kingston-Upon-Hull



Investment Summary

- Purchase price in excess of £3,420,000.
- Net initial yield of 7.0%.
- Reversionary yield of 7.8%.
- True equivalent yield of 8.1%.
- Freehold.
- Attractive former Victorian brewery.
- City-centre location close to the railway station.
- Total net internal area of 2,957 sq m (31,819 sq ft).
- Passing rent reflects £86.32 per sq m (£8.02 per sq ft) overall.
- Capital value equating to £1,156 per sq m (£107 per sq ft).
- Car parking ratio of 1:98 sq m (1:1060 sq ft).

Location

Hull, located in the county of Kingston-Upon-Hull, lies approximately 73.4 kilometres (45.9 miles) south-east of York, 95.0 kilometres (54.9 miles) east of Leeds and 283.0 kilometres (176.0 miles) north of central London.

Hull is one of the principal commercial sea ports in Britain providing a natural gateway to Europe. The city accommodates a broad range of industries including engineering, pharmaceuticals and food processing. Major employers include Northern Foods, Seven Seas, BP Chemicals and British Aerospace.

At present there are a number of extensive regeneration developments in the city-centre. These include the £162m mixed use scheme at Humber Quays and St Stephen's, which is currently Britain's second largest city-centre development. In addition, the Princes Quay Shopping Centre is undergoing a major extension.

Demographics

Humberside has a resident population of 301,416 and benefits from a catchment population within 20 kilometres of 452,675.

The city's economy benefits from high employment in the retail and manufacturing sectors providing a combined total of 38.6% compared to the national average of 31.4%. The city's economic growth is set to continue with numerous regeneration and development initiatives over the next 5 years.

Sources: Experian, www.hull.co.uk/investing, www.hullcitybuild.co.uk

Communications

Hull benefits from excellent communications via road, rail, air and sea;

Junction 38 of the M62 lies 25.0 kilometres (15.5 miles) to the west providing access to Wakefield, Leeds and Bradford. The M62 in turn leads to the M18 and thereafter the M1 at Junction 32 providing access to London and the South East.

Hull Paragon mainline railway station provides regular rail services to Leeds mainline railway station and London's Kings Cross with a fastest journey time of 56 minutes and 2 hours 40 minutes respectively.

Humberside International is the region's main airport located 25.6 kilometres (16.0 miles) south of the city providing flights to both domestic and international destinations.

The Port of Hull provides ferry services for over 1 million passengers a year to mainland Europe including Rotterdam and Zbrugger.

Situation

The Maltings provides a unique environment and is considered Hull's only true city centre 'office village'. Anchor House is located on the southern part of the site bounded by Silvester Street and New Garden Street.

The city's main retail and commercial facilities are within easy walking distance including the mainline railway station, Jameson Street, Princes Quay Shopping Centre and the St Stephen's development.

Description

Anchor House is a Grade II listed, former Victorian brewery constructed of red brick elevations and attractive stone detailing under a pitched slate roof. The building is arranged as offices over four floors with the suites on the ground floor providing self contained accommodation.

The office accommodation benefits from suspended ceilings, recessed fluorescent lighting and perimeter trunking. In addition, there is a 13 person passenger lift, toilets (male and female) and a kitchenette on each floor.

Accommodation

We have been advised that the total net internal area of the building is 2,957 sq m (31,819 sq ft). In addition, there are a total of 30 car parking spaces providing a ratio of 1:98 sq m (1:1060 sq ft).

Please see the tenancy and accommodation schedule.

Tenure

Freehold.



Tenancies

The investment is multi-let on full repairing and insuring leases producing a total income of **£252,985 per annum equating to £86.32 per sq m (£8.02 per sq ft) overall.**

Currently in solicitors hands, Millward Brown UK Ltd have agreed terms for Suite C on a new 5 year lease with a 2 year break at a rent of £40,000 per annum equating to £95.23 per sq m (£8.85 per sq ft). Stolt Tank Containers Ltd have agreed to surrender the existing lease at a current rent of £35,750 per annum expiring in February 2009. The vendor will guarantee the increase in rent of £4,250 per annum for a period of 6 months to complete the lease.

The Secretary of State for the Environment have agreed terms to extend their accommodation to include the entire third floor co-terminus with their existing lease on Suites I&J. The new lease, currently in solicitors hands, is at a rent of £29,700 per annum equating to £87.35 per sq m (£8.11 per sq ft) expiring in September 2016. Millward Brown UK Ltd have agreed to surrender the existing lease at a current rent of £28,005 per annum expiring in April 2007. The vendor will guarantee the increase of £1,695 per annum for a period of 6 months.

Please see the tenancy and accommodation schedule.

Covenant

The property benefits from 81% of the income derived from strong or undoubted covenants, including Millward Brown, Avco Trust Plc and Pentagon Communications Ltd. Approximately 60% of this income is let to the government including Kingston upon Hull City Council and the Secretary of State for the Environment, the majority of which is let for a term certain until September 2016.

Please see summary information and accounts on our website (www.dbaprop.co.uk).

Estimated Rental Value

The estimated rental value of the property is approximately **£284,000 per annum equating to £107.64 per sq m (£10.00 per sq ft)** on the ground floor self contained accommodation and **£95.26 per sq m (£8.85 per sq ft)** on the remainder.

Achievable rents on the ground floor accommodation have consistently been in excess of £107.64 per sq m (£10.00 per sq ft).

Suite C is currently in solicitor's hands for a new 5 year lease to Millward Brown UK Ltd with a tenant's only break at the end of the 2nd year at a rent of £40,000 per annum equating to £95.36 per sq m (£8.85 per sq ft).

In May 2005, Kingston-Upon-Hull City Council completed a new 3 year lease for Suite D at a rent of £8,550 per annum which equated to £90.00 per sq m (£8.38 per sq ft).

Proposal

We have been instructed to seek offers in excess of **£3,420,000 (Three Million Four Hundred and Twenty Thousand Pounds)** reflecting the following yield profile based upon costs at 5.7625%.

Net initial yield of **7.0%**
Reversionary yield of **7.8%**
True equivalent yield **8.1%**

The capital value equates to **£1,156 per sq m (£107 per sq ft).**

Value Added Tax

The property is not elected for VAT.

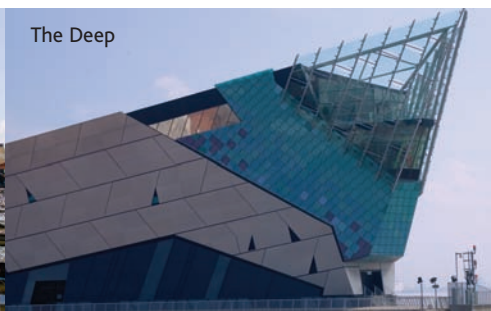
Investment Considerations

- **An opportunity to acquire a multi-let, city-centre office investment with good car parking provision.**
- **Hull is one of the principal commercial sea ports in Britain providing a gateway to Europe.**
- **The city has a number of major regeneration projects currently underway including the £162m mixed use scheme at Humber Quays, the St Stephen's development and the extension to the Princes Quay Shopping Centre.**
- **The property occupies a unique central location in close proximity to both the city's main railway station, the core commercial area and the St Stephen's development.**
- **One of the key objectives in Hull City build's masterplan is to enhance the commercial activities within the city centre. The recent letting of Island Wharf on Humber Quays reflected a rent in excess of £161.46 per sq m (£15.00 per sq ft).**
- **Attractive yield profile; net initial yield of 7.0% and reversionary of yield of 7.8%.**
- **81% of the income is derived from strong or undoubted covenants of which 60% is let to the government.**
- **Various asset management opportunities including lease renewals and rent reviews.**
- **The Secretary of State for the Environment are under offer for the entire third floor and Millward Brown are currently under offer to extend their lease to occupy Suite C.**
- **Low base rent of £86.32 per sq m (£8.02 per sq ft) which provides an excellent platform for future rental growth.**
- **Low capital value of £1,156 per sq m (£107 per sq ft).**
- **Limited city centre office supply has resulted in consistently high occupancy levels in the building. Millward Brown and the Secretary of State for the Environment are currently expanding within the building.**

Hull Marina



The Deep



The Princes Quay Shopping Centre



Tenancy and accommodation schedule

Floor	Tenant	Accommodation sq ft	sq m	Rent per annum (per sq ft)	ERV per annum (per sq ft)	Start Date	Review	Expiry (Break)	Unexpired Term (years)	Car Parking	Comments
Ground											
Suite A	Avco Trust Plc	1,681	156	£14,800 (£8.80)	£16,810 (10.00)	29-Nov-96	-	28-Nov-06	0.25	1	Tenant interest to renew. Section 25 Notice served. ¹
Suite B	Ranstad Employment Bureau Ltd	1,006	93	£11,448 (£11.38)	£10,060 (10.00)	01-Nov-02	01-May-09	30-April-12 (14-Jul-09)	5.50	1	Tenant break requiring 6 months notice.
Suite M	Trustees of the Union of Shop Distributive and Allied Workers	409	38	£4,750 (£11.61)	£4,090 (10.00)	30-May-02	30-May-07	29-May-12 (30-May-07)	5.75	1	Tenant break requiring 6 months notice.
Store 1	The Official Receiver	207	19	£1,000	£1,100	07-Jan-93	-	-	-	-	Licence agreement
Store 2	Millward Brown International Plc	112	10	£1,040	£1,100	09-May-05	-	08-May-08	1.75	-	
Store 3	Vacant	202	19	-	£1,100	-	-	-	-	-	
First											
Suite C	Millward Brown UK Ltd	4,515	420	£40,000 (£8.85)	£40,000 (£8.85)	06-Sep-06 ²	-	05-Sep-11 (05-Sept-08)	5.00	7	New lease to Millward Brown UK in solicitors hands. ³
Suite D	Kingston Upon Hull City Council	1,020	95	£8,550 (£8.38)	£9,027 (£8.85)	05-May-05	-	04-May-08	1.50	1	
Suite E	Pentagon Communications Ltd	3,667	341	£28,805 (£7.86)	£32,453 (£8.85)	05-Jul-96	05-Jul-08	04-Jul-11	4.75	4	Unoccupied. 2005 review Outstanding.
Second											
Suite F&G	Kingston Upon Hull City Council	5,763	536	£40,342 (£7.00)	£51,003 (£8.85)	18-Mar-96	-	24-Dec-06	0.50	5	Tenant has requested a new 1 year lease. Recently refurbished.
Suite H	The Travel Company Group Ltd	3,734	347	£29,000 (£7.77)	£33,046 (£8.85)	15-Oct-97	-	16-Oct-07	1.00	3	Recently refurbished.
Third											
Suite I&J	Secretary of State for the Environment (Insolvency Service)	5,841	543	£43,550 (£7.46)	£51,693 (£8.85)	16-Sep-91	15-Sep-11	16-Sep-16	10.00	4	
Suite K&L	Secretary of State for the Environment (Insolvency Service)	3,662	340	£29,700 (£8.11)	£32,409 (£8.85)	16-Sep-06	15-Sep-11	16-Sep-16	10.00	3	New lease in solicitors hands co terminus with existing lease on suite I&J. ⁴
Total		31,819	2,957	£252,985 (£8.02)	£283,890 (8.97)					30	

Notes

1. Landlord quoting £17,000 p.a. for a 10 year lease.
2. Lease start date assumed to be the date of commencement of marketing.
3. Stolt Tank Containers Ltd, have agreed to surrender their lease at a rent of £35,750 p.a. expiring 28/02/09. The vendor will guarantee the rental increase. Currently unoccupied.
4. Millward Brown have agreed to surrender and relocate to Suite C. The previous rent was £28,005 p.a. expiring 07/04/07. The vendor will guarantee the rental increase. Currently occupied by Millward Brown.

Queens Gardens



Office Building One, Humber Quays





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