

Prime Freehold Retail and Office Investment



UNION HOUSE, 89 UNION STREET, TORQUAY, DEVON

INVESTMENT SUMMARY

- Purchase price in excess of £7,000,000
- Freehold
- Prime retail and office investment
- Residential conversion / extension potential
- Net initial yield of 6.50%, equivalent yield of 7.41%
- Multi-let to tenants including Mothercare UK Limited, C.&J. Clark International Limited, Halifax Plc, Games Station Limited and Torquay Borough Council
- Stamp Duty exempt location

LOCATION AND COMMUNICATIONS

Torquay is located in the county of Devon, approximately 40.2 kms (25.0 miles) south-west of Exeter, 54.7 kms (34.0 miles) north-east of Plymouth, 136.7 kms (85.0 miles) south of Bristol and 321.8 kms (200.0 miles) south-west of London.

Nestled around the beautiful Tor Bay the three towns of Torquay, Paignton and Brixham comprise the district of Torbay commonly known as the "English Riviera" with its picturesque beaches and Britain's best climate records. Torquay is the regional and administrative centre of the district of Torbay and South East Devon.

Torquay is within easy reach of the M5 motorway providing access to Exeter, Bristol and London. The A3022 northbound joins the A380 which in turn connects to the A38 providing access to the M5 at junction 31, approximately 32.0 kms (20.0 miles) north-east of the town. The A3022 southbound joins the A385 and the A38 to Plymouth.

Torquay's mainline station has intercity rail connections and a journey time to London (Paddington) of approximately 2hrs 51mins and Exeter (Central) of approximately 54 mins.

The town is also serviced by Exeter, Plymouth and Bristol airports.

DEMOGRAPHICS

Torbay is the fifth largest conurbation in the South West and the second largest to the South West of Bristol. It is also home to major companies such as Astra Zeneca, AVX, Epwin Group and Bookham Technologies.

Torbay's resident population is approximately 130,000 which expands to around 200,000 during the summer months accommodating up to 1.5m visitors each year. The area benefits from a strong demographic profile and a 20.0 km (12.4 miles) catchment population of approximately 264,000 (1994 estimate - Source: Focus).

Torquay's CACI Lifestyle Groupings in 2004 were above the national average amongst "Affluent Greys", "Aspiring Singles" and "Blue-collar Roots" and the town benefits from 70.0% owner occupier household tenure.

SITUATION

The subject property lies on the north side of Union Street, Torquay's prime retail thoroughfare and close to the entrance of Union Square Shopping Centre. Other multiple retailers in the vicinity include BHS, Boots, Dixons, Littlewoods, Monsoon, New Look, Next, the Orange shop, Woolworths, WH Smiths and Superdrug.

The new waterfront development at the old Harbour is located at the end of Union Street (via Fleet Street) and comprises numerous continental style cafes, restaurants and bars as well as the famous Torquay Pavilion, once the heart of the town's cultural life now serves as a thriving shopping centre.



DESCRIPTION

The building was built in the 1970's to a concrete frame construction providing five shops on the ground floor with ancillary/retail accommodation above. There is a separate self-contained ground floor entrance hall with lifts providing access to offices on four upper floors. In addition the property provides 15 car spaces on the roof of the building, together with two goods lifts used for servicing the retail units. The car park is accessed via Castle Road.

The self contained offices provide a specification of aluminium framed windows, perimeter heating, carpeted floors, tiled ceilings and fluorescent strip lighting. The offices are served by two person (600kg) passenger lifts.



Union House Car Park

ACCOMMODATION

We have been advised of the following net internal floor areas:

Retail Accommodation

	Sq m	Sq ft
Ground Floor Sales	873.2	9,400
1st Floor Sales	221.9	2,389
1st Floor Storage	106.2	1,144
2nd Floor Storage	127.0	1,368
ITZA	388.5	4,181
Sub Total	1,328.3	14,301

Office Accommodation

	Sq m	Sq ft
1st Floor Offices	414.6	4,463
2nd Floor Offices	691.6	7,442
3rd Floor Offices	659.3	7,097
4th Floor Offices	641.0	6,898
Sub Total	2,406.5	25,900
Total	3,734.8	40,201

TENURE

Freehold



Address	Tenant	Accommodation	Area		Current Rent (sq ft)	Term	Expiry	Review	ERV (sq ft)	Comments
			sq m	sq ft						
Union House, 89 Union Street	Mothercare UK Ltd	Ground Floor Sales	221.8	2,387	£77,000	30	24-Dec-17	25-Dec-07	£93,122	Subject to Northworld
		First Floor Sales	221.9	2,389	(£61.42 ITZA)				(£75.00 ITZA)	Ltd trading as
		Second Floor Storage	127.1	1,368						Mk One co-terminus
		ITZA	88.1	948						at £77,000 per annum
1 Union House	Bastins Ltd	Ground Floor Sales	139.8	1,505	£39,500	10	24-March-10	25-March-05	£51,105	
		First Floor Storage	25.6	276	(£57.50 ITZA)				(£75.00 ITZA)	
		ITZA	61.7	663						
2 Union House	C. & J. Clark International Ltd	Ground Floor Sales	143.6	1,546	£45,500	15	24-March-13	25-March-08	£52,120	
		First Floor Storage	25.0	269	(£65.22 ITZA)				(£75.00 ITZA)	
		ITZA	62.9	677						
3/4 Union House	Halifax PLC	Ground Floor Sales	289.3	3,114	£93,000	15	8-Apr-13	9-Apr-08	£103,270	
		First Floor Storage	55.7	599	(£67.32 ITZA)				(£75.00 ITZA)	
		ITZA	124.2	1,337						
5 Union House	Game Station Ltd	Ground Floor Sales	78.8	848	£37,000	15	14-Jun-13	15-Jun-08	£41,700	
		ITZA	51.7	556	(£66.55 ITZA)				(£75.00 ITZA)	
Union House Offices	Torquay Borough Council	Ground Floor Sales	414.6	4,463	£170,707	10	31-March-08		£170,707	
		Second Floor Storage	691.6	7,442	(£6.59 per sq ft)				(£6.59 per sq ft)	
		Third Floor Storage	659.3	7,097						
		Fourth Floor Offices	641.1	6,898						
Total		Total Area	3,735.2	40,201	£462,707				£512,024	

TENANCY

The investment is multi-let to tenants including Torbay Borough Council, C. & J. Clark International Limited, Halifax Plc, Games Station Limited, Bastins Limited, Mothercare UK Limited and Northworld Ltd (Mk One) producing a total income of £462,707 per annum. Please see the tenancy and accommodation schedule above.

COVENANT

Covenant	Co No.	Turnover £s	Pre Tax Profit £s	Net Assets £s
Mothercare UK Ltd	0533087	430,232,000	-	4,372,000
Bastins Ltd	1849234	5,795,532	37,502	2,921,904
Halifax PLC	2367076	-	1,203 (billion)	-
C. & J. Clark International Ltd	141015	638,238,000	43,700,000	37,674,000
Game Station Ltd	3547594	48,067,388	2,073,359	2,097,137
Northworld Ltd	3160029	135,812,193	9,232,768	19,284,559



ESTIMATED RENTAL VALUE

The estimated rental value of the investment is currently £512,025 per annum based upon £75.00 per sq ft (£807.3 per sq m) Zone A on the retail accommodation and £6.60 per sq ft (£71.0 per sq m) on the offices.

We have been advised that at 67 Union Street, Costa Coffee agreed a lease on the Next Unit in September 2004 at a rent equating to £85.00 per sq ft (£914.9 per sq m) in terms of Zone A.

We understand 14 Union Street, currently let to Bradford & Bingley, is on the market with two offers at £50,000 per annum equating to £94.00 per sq ft (£1,011.8 per sq m) in terms of Zone A. Should the transaction complete this will set a new headline rental within the town.

RESIDENTIAL VALUES

We have been advised that residential values within the town centre are in the region of £200.00-£250.00 per sq ft (£2,152.8-£2,691.0 per sq m) capital value depending on car parking supply.

We understand that at the former Post Office site on Fleet Street, developers have recently converted the accommodation to residential and are quoting prices between £64,950 for a studio to £124,950 for a two bed flat.

PRICE

The freehold interest can be acquired for a price in excess of **£7 million (seven million pounds)** reflecting the following net yield profile, based upon costs at 1.7625%. We have been advised that the property is situated in a stamp duty exempt area.

Initial yield **6.50%**

Reversionary yield **7.19%**

Equivalent yield **7.09%** (annually in arrears)

Equivalent yield **7.41%** (quarterly in advance)

VALUE ADDED TAX

The property has been elected for VAT and therefore VAT will be payable on the sale price.

INVESTMENT CONSIDERATIONS

- Torquay is a vibrant town benefiting from a strong catchment population and demographic profile as well as its reputation as the "English Riviera".
- There is currently a proposal from Torbay Council to pedestrianise Union Street. We understand the scheme has funding and approval from Local Transport.
- An opportunity to acquire a prime reversionary retail and office investment totalling 40,201 sq ft (3,735 sq m) and with the benefit of 15 car parking spaces.
- The investment is well secured to strong covenants including Mothercare UK Limited, Halifax Building Society, C. & J. Clark International Limited, Games Station Limited and Torquay Borough Council.
- The offices and car park offer conversion and additional development opportunities, subject to consent. We have been advised that residential values within the town centre are up to £250.00 per sq ft (£2,691.0 per sq m).
- We are aware of a retail letting transaction currently in Solicitors' hands which will set a new headline rent within the town at £94.00 per sq ft (£1,011.8 per sq m) ITZA. Should the transaction complete this will reflect in further rental growth of the retail units within Union House.
- We have been advised that Torquay Borough Council has recently consolidated the entire Social Services department into Union House and currently employ over 200 people within the building. The freeholders are currently in discussions with the Council to agree a lease renewal.
- At the quoting terms the investment reflects an equivalent yield of 7.41% (quarterly in advance).



CONTACT INFORMATION

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