

FOR SALE

Dean Court, 22 Dean Street, Newcastle upon Tyne, NE1 1PG

PRIME MULTI-LET
CITY CENTRE
OFFICE INVESTMENT



 Knight
Frank



INVESTMENT SUMMARY

- Excellent location on Dean Street which links Quayside with Grey Street and Newcastle City Centre
- Five floors of good quality offices extending to **8,312 ft²**
- Good tenant mix from technology, recruitment and surveying businesses
- Let to five tenants including Blue Arrow Limited, Key Training Limited and Biosignatures
- Passing rent of **£144,353.50 per annum**
- **Weighted Average Unexpired Lease Term (WAULT)** of **5.61 years to expiry** and 2.66 years to the breaks
- Long leasehold for a term of 999 years from 27 March 1990 at a peppercorn rent

We have been instructed to seek offers in excess of **£1,800,000 (One Million, Eight Hundred Thousand Pounds)** which reflects a **net initial yield** of **7.55%**, based on purchaser's costs of 6.22%.

NEWCASTLE UPON TYNE

Newcastle upon Tyne is the regional capital and principle focus of economic activity within the North East of England.

With a population of 280,177 people the city is located 270 miles north of London and 105 miles south of Edinburgh. Newcastle is the largest employment centre in Tyne & Wear with 166,011 employees in 2011. Newcastle has a demographic profile which is attractive to the service sector being skewed towards younger and more highly educated workers. The service sector accounts for nearly 90% of employment in the city. The Financial & Business Services sector accounted for 25% of jobs at this level showing the strength of the office economy and office demand.

The office market has been central to the growth of Newcastle as a city and since the regeneration of the Quayside in the early 1990s, the market has continued to grow and mature leading to increasingly high quality developments similar to those in competing regional centres such as Leeds and Manchester.

Newcastle has attracted many high profile global, national and regional occupiers, many of which have expanded or upgraded their existing space. Companies include Barclays Bank plc, PWC, Sage Group, Virgin Money and Procter & Gamble. The city centre has continued to attract new private sector companies recently including BSKyB, DAC Beachcroft Solicitors and Qubic Tax.

The city is home to a wide range of important public sector functions with not only local and regional government operations, but national government departments based in the area. The most significant are HM Revenue & Customs and the Department for Work & Pensions.

Newcastle plays host to two leading universities attracting over 50,000 students from more than 125 countries combined. The University of Newcastle features in the top 20 of the majority of the UK rankings. It is a member of the Russell Group (an elite group of 24 of the country's most highly regarded universities) and is ranked highly for graduate employment. Northumbria University is located within a modern, and expanding, city centre campus with an outstanding reputation as the largest university in the North East. The importance of the contribution of the universities to the city was recognised in 2005 when Newcastle was designated as one of six UK Science Cities.

Newcastle's retail offerings serve as the primary retail destination for over 600,000 people making it the dominant retail centre in the North East. There is approximately 2.6 million ft² of retail floorspace ranking the city sixth out of the 100 PROMIS Centres. The prime area is centred around Intu Eldon Square Shopping Centre and Northumberland Street and is home to a number of national retailers including John Lewis, Marks & Spencer, Fenwicks and Debenhams. In addition, Intu Metrocentre, one of the UK's largest out of town shopping centres, is within 15 minutes' drive time.



NEWCASTLE UPON TYNE IS THE REGIONAL CAPITAL AND PRINCIPLE FOCUS OF ECONOMIC ACTIVITY WITHIN THE NORTH EAST OF ENGLAND

CURRENT INWARD INVESTMENT

Science Central

As part of Newcastle Science City (a partnership between Newcastle University and Newcastle City Council), Science Central is a new urban quarter central to Newcastle's economic future and a hub for the scientific growth of the city. Home to Newcastle Hospitals NHS Foundation Trust, one of the UK's largest with more specialist services than any other group of hospitals outside of London, Newcastle University's Institute for Ageing, the largest of its kind in Europe and the International Centre for Life, where university researchers and Trust clinicians are pioneering science, particularly in the fields of genetics and fertility treatment, Newcastle is already established in the science and health industry.

Spanning 24 acres of mixed-use prime city centre development land, it is the largest development of its kind in the UK. The development is located on the outskirts of the CBD on the site of the former Scottish & Newcastle Brewery. The masterplan includes a world class research facility as well as office and residential accommodation, retail offerings and a wealth of new landscaped public realm.

More information can be seen at www.newcastlesciencecentral.com

Central Station

East Coast and Network Rail have recently transformed Newcastle's Central Station. The Grade I Listed station has seen its iconic portico pedestrianised and glazed to create a new public space to house new retail and catering choices. Commercial space has doubled which has enhanced the existing retail and leisure provisions at the station.

The £8.6 million project demonstrates the importance of Newcastle's Central Station as a gateway to the city and a major transport hub for the North East and the national rail network with 67 East Coast trains serving the station each week day.

Northumbria Police Headquarters

Northumbria Police Authority has recently refurbished the former Network Rail office adjacent to Central Station to create a new £37 million state of the art policing facility. The project has provided significant regeneration utilising two existing buildings which now connect together via a new build element. The new headquarters has replaced their former Market Street location.

Stephenson Quarter

Stephenson Quarter is a major mixed use development. The site was formally home to the Robert Stephenson and Co Locomotive Works, the crucible of the railway industry, and where the revolutionary Rocket was built in 1829. Phase 1 has been completed which includes Newcastle's only recently developed Grade A office building extending to 35,000 ft², the recently completed Crowne Plaza Hotel, 360 space multi storey car park and Hawthorn House which is being redeveloped to provide studio office space.

Further development will take place including residential apartment blocks, additional commercial development and public space.

More information can be seen at www.stephensonquarter.com

Intu Eldon Square Expansion

Intu Eldon Square is the city's main shopping centre and has seen extensive investment over the last few years with the opening of a 450,000 ft² extension anchored by a new Debenhams department store, All Saints and Apple among others. The extension is 100% let and the centre as a whole now comprises some 1.35 million ft² prime retail and leisure space. Intu are continually investing in the centre supported by a £25 million redevelopment of Greys Quarter. This flagship redevelopment will provide the city centre with 21 new leisure operators including the likes of TGI Fridays, Giraffe and Bella Italia and anchor luxury operators such as The Alchemist and Chaophraya.

NEWCASTLE HAS ATTRACTED MANY HIGH PROFILE
GLOBAL, NATIONAL AND REGIONAL OCCUPIERS



SITUATION

The property is located on Dean Street in the heart of Newcastle city centre, which links the Quayside immediately to the south and Grey Street and the city centre to the north.

Central Station and Monument Metro Station are both within 5 minute walk providing transport links to the rest of the region and beyond. The Quayside Bus Service runs onto Dean Street and provides a direct link to areas of the city centre and further afield to Gateshead.

The immediate surrounding area is characterised by mixed land uses to include offices, leisure, retail and residential while immediately to the rear of the property is a 257 space council operated car park.

DESCRIPTION

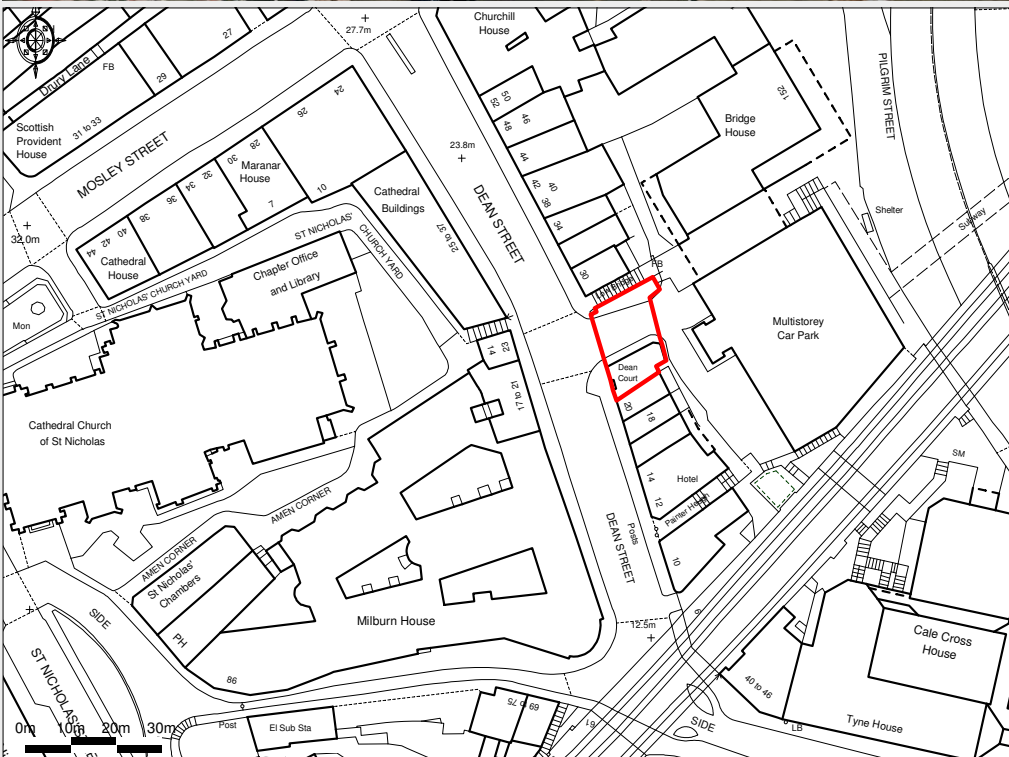
The property comprises a 5 storey office building of steel framed construction having cavity brick elevations beneath a mansard roof with a slate covering.

There is a reception area off the Dean Street entrance with stair and lift access to all floors. The upper floors of the property are built over the access road to the multi-storey car park to the rear.

The accommodation is generally open plan in nature with tenant portioned fit outs on the first and second floors. The offices have solid concrete floors with carpet covering, plastered painted walls and a suspended ceiling and recessed lighting. Each floor benefits from a small kitchen area and heating and cooling is provided by an energy efficient VRV system.

SITE

The property occupies a roughly rectangular site extending to 0.085 ha (0.210 acres).





CENTRE FOR LIFE

CITYGATE

ST JAMES'S PARK

ELDON SQUARE

MONUMENT

M CENTRAL STATION

Dean Court, 22 Dean Street

GREY STREET

NORTHUMBERLAND STREET

COPTHORNE HOTEL

A167M CENTRAL MOTORWAY

HILTON NEWCASTLE GATESHEAD

TYNE BRIDGE

CITYGATE

THE SAGE GATESHEAD

MALMAISON

MILLENNIUM BRIDGE

QUAYSIDE

BALTIC

NEWCASTLE OFFICE MARKET

Supply

The supply of Grade A accommodation currently stands at circa 145,500 ft² as highlighted in the table below:

| Building | Locality | Availability (ft ²) |
|----------------------|-----------------------|---------------------------------|
| Wellbar Central | Gallowgate | 4,500 |
| Time Central | Gallowgate | 8,000 |
| The Hub | Northumberland Street | 12,000 |
| Central Square South | Stephenson Quarter | 34,940 |
| 2 St James' Gate | City Fringe | 36,639 |
| The Rocket | Stephenson Quarter | 35,000 |
| LiveWorks | Quayside | 14,400 |
| Total | | 145,479 |

This equates to a current supply timeline of only 6 months which bodes well for rental growth prospects. The only two newly developed Grade A office buildings being The Rocket at Stephenson Quarter and LiveWorks on the Quayside are both complete and being marketed. The current interest is strong and the quoting rent is £23.00 /ft² at The Rocket.

Take-up

Since the beginning of 2013 there has been a sense of renewed optimism within the Newcastle office market with increasing levels of occupational activity.

Office take-up in Newcastle increased by 59% in H2 (from H1 2015) to reach 160,000 ft². Of this, a total of 107,800 ft² was transacted in Q3, a record amount of quarterly take-up for the city. As a result total take-up for the year reached 260,200 ft², an increase of 42% when compared to 2014. Notably, the 2015 total represented the highest level of take-up recorded since the financial crisis of 2008.

Demand remains strong and there are currently 25 known requirements for Grade A offices in the city centre totalling in excess of 100,000 ft².

Rents

Prime headline rents increased to £22.00 /ft² in H2 2015. This marked the first example of growth in prime headline rents since Q4 2011. With availability expected to tighten in 2016, a further rise in prime rents is anticipated. The Rocket in the Stephenson Quarter is the only newly built development which has recently completed with quoting rents of £23.00 /ft². Prime rents in 2007 reached £24.00 /ft².

Strong demand coupled with limited supply has resulted in downward pressure on tenants' incentive packages which have decreased significantly over the last 18 months and are now typically equivalent to 9 months for every 5 years of term certain and 18 months' rent free for a 10 year term.

Recent Letting Evidence

The letting of 23,000 ft² to Ernst & Young at One Citygate East was the largest transaction of H2 2015. Other recent lettings are included in the table below:

| Building | Date | Grade | Headline Rent (/ft ²) | Size (/ft ²) | Tenant / Notes |
|----------------------|---------|-------|-----------------------------------|--------------------------|---|
| One Citygate East | Q4 2015 | A | £22.00 | 22,950 | Three floors let to Ernst & Young |
| Quayside House | Q4 2015 | A | £20.00 | 1,659 | 3rd floor let to Pantheon Macroeconomics |
| Central Square | Q3 2015 | A | £19.50 | 15,155 | 3rd floor let to Orchard Systems |
| The Hub | Q3 2015 | A | £17.00 | 17,000 | Let to Ubisoft |
| Rotterdam House | Q2 2015 | B | £17.50 | 5,645 | Ground floor let to Ramboll Energy |
| Trinity Gardens | Q2 2015 | A | £21.50 | 3,041 | Ground floor suite let to Allied Irish Bank |
| 30-32 Grey Street | Q2 2015 | B | £18.00 | 1,425 | 1st floor let to Office Angels |
| Wellbar Central | Q1 2015 | A | £21.50 | 19,904 | 5th and 7th floor suite let to Iparadigms |
| Central Square South | Q4 2014 | A | £21.00 | 8,000 | 4th floor suite let to Penspen Integrity |
| Wellbar Central | Q3 2014 | A | £21.50 | 5,300 | 7th floor suite let to Global Radio |
| Citygate | Q3 2014 | A | £21.39 | 11,187 | 4th floor suite let to Ernst & Young LLP |



DEVELOPMENT PIPELINE

Newcastle's development pipeline is very limited with only two office schemes completing, one of which, The Core at Science Central has been pre-let. The second, Aviva's 'Rocket' in the Stephenson Quarter which has recently completed extends to 35,000 ft² of Grade A space.

Due to this limited development pipeline, it is expected occupiers will be forced to consider good secondary and / or refurbished Grade B space. Occupier activity has significantly increased in Newcastle City Centre and the outlook is positive particularly for floor plates ranging between circa 1,000 ft² – 6,000 ft².

REGIONAL OFFICE INVESTMENT MARKET

Investment activity in the North East is thriving as private investors, domestic institutions and overseas funds increase their focus on the regional office market in search of higher returns than those found in London, taking advantage of the improved market conditions and the historically wide yield gap.

Tyne & Wear investment activity during 2015 exceeded £470m of which city centre institutional office investment was above £92m. This showed a year on year increase of 80% in the institutional office market led by UK institutions supported by core plus and opportunity players entering the market. As the economy has strengthened and yields have hardened in London and the South East, institutional investors have increasingly sought the more attractive returns available in strong regional centres such as Newcastle.



TENURE

Long leasehold interest for a term of 999 years from 27 March 1990 at a peppercorn rent.

TENANCY

The property is let on effectively full repairing and insuring terms in accordance with the below tenancy schedule:

| Floor | Tenant | Areas (ft ²) | Lease Term Commencement | Lease Expiry | Annual Rent (per annum) | Comments |
|--------------|-----------------------|--------------------------|-------------------------|--------------|-------------------------|---|
| Mezzanine | AA Projects Limited | 411 | 3 years from 29/09/2014 | 28/09/2017 | £8,567.00 (Net) | Six monthly break options from 29/09/2016. Inclusive rent of £13,000 per annum. |
| First | Blue Arrow Limited | 2,087 | 9 years from 29/09/2015 | 28/09/2024 | £36,522.50 | Tenant only break option at the third and sixth anniversary. |
| Second | Key Training Limited | 2,016 | 5 years from 16/07/2015 | 15/07/2020 | £30,900.00 | Tenant only break option at the third anniversary. |
| Third | Totallab Limited | 2,037 | 5 years from 01/02/2016 | 01/02/2021 | £36,666.00 | Tenant only break option at the third anniversary. |
| Fourth | Biosignatures Limited | 1,761 | 5 years from 01/02/2016 | 01/02/2021 | £31,698.00 | Tenant only break option at the third anniversary. |
| Total | | 8,312 | | | £144,353.50 | |

The WAULT is 5.61 years to expiry and 2.66 years to the breaks.



COVENANT STATUS

AA Projects Limited (Company Number 3768390)

AA Projects are a firm of management and property consultants with seven offices across the UK. They cover a wide range of services including strategic, project, cost management as well as building surveying and energy and sustainability advice.

They have reported the following financial information:

| | GBP 31/03/2015 | GBP 31/03/2014 | GBP 31/03/2013 |
|---------------------|-------------------|-------------------|-------------------|
| Sales Turnover | 9,678,005 | 9,320,307 | - |
| Profit Before Tax | 409,283 | 698,395 | - |
| Shareholders' Funds | 1,232,897 | 1,086,341 | 852,742 |

AA Projects has a FAME Credit Score of 92/100 (Secure).

Blue Arrow Limited (Company Number 641659)

Blue Arrow is a human resourcing solutions and recruitment firm based in the UK with over 50 branch locations. They operate across six sectors; hospitality, manufacturing, public services, retail, support services and transport.

The company was founded in 1959 and currently has approximately 650 staff members. Blue Arrow is part of the Impellam Group plc that covers the UK, Ireland, Europe, United States, Australia and New Zealand.

They have reported the following financial information:

| | GBP 02/01/2015 | GBP 27/12/2013 | GBP 28/12/2012 |
|---------------------|-------------------|-------------------|-------------------|
| Sales Turnover | 382,276,000 | 376,784,000 | 397,290,000 |
| Profit Before Tax | 10,677,000 | 13,013,000 | 10,623,000 |
| Shareholders' Funds | 49,167,000 | 40,740,000 | 31,762,000 |

Blue Arrow Limited has a FAME Credit Score of 99/100 (Secure) and a Dun & Bradstreet rating of 5A1, representing a minimum risk of business failure.

Key Training Limited (Company Number 1325577)

Key Training is a UK based company involved in the provision of training services for learning and skills councils. They are located within seven UK offices and are a leading national apprenticeship provider.

They have reported the following financial information:

| | GBP 31/12/2014 | GBP 31/12/2013 | GBP 31/12/2012 |
|---------------------|-------------------|-------------------|-------------------|
| Sales Turnover | 6,847,993 | 7,138,992 | - |
| Profit Before Tax | 264,310 | 210,420 | - |
| Shareholders' Funds | 413,856 | 1,119,273 | 953,236 |

Key Training has a FAME Credit Score of 92/100 (Secure).

Totallab Limited (Company Number 6253160)

Totallab is a Newcastle based company specialising in software for research in biochemistry, microbiology, amongst others. They support over 2,600 software licences in private and public organisations around the world.

They have reported the following financial information:

| | GBP 30/09/2014 | GBP 30/09/2013 | GBP 30/09/2012 |
|---------------------|-------------------|-------------------|-------------------|
| Sales Turnover | 444,193 | 222,951 | 175,553 |
| Profit Before Tax | 93,675 | 39,495 | 74,920 |
| Shareholders' Funds | 163,063 | 64,128 | 17,290 |

Totallab has a FAME Credit Score of 92/100 (Secure).

Biosignatures Limited (Company Number 6253158)

Biosignatures is a research and development company based in Newcastle specialising in the healthcare sector. The company has developed a patented software system used to discover disease biomarkers through the analysis of blood samples.

They are involved in blood sample studies at the Freeman Hospital, Newcastle and the Sunderland Royal Hospital.

They have reported the following financial information:

| | GBP 30/09/2014 | GBP 30/09/2013 | GBP 30/09/2012 |
|---------------------------|-------------------|-------------------|-------------------|
| Sales Turnover | 28,145 | - | - |
| Profit/ (Loss) Before Tax | (747,405) | (304,488) | (14,627) |
| Shareholders' Funds | (1,944,594) | (1,276,177) | (1,092,001) |



ON BEHALF OF



Dean Court, 22 Dean Street, Newcastle upon Tyne, NE1 1PG

VAT

The property has been elected for VAT and therefore VAT will be payable on the purchase price. It is envisaged that the sale will be dealt with by way of a TOGC.

SERVICE CHARGE

The service charge reflects £5.10 /ft² and is fully recoverable.

EPC

The property has an energy performance rating of C(70).

CONTACT

For further information or to arrange an inspection please contact:

Douglas Cranston MSc MRICS

0191 594 5023

07867 001 380

douglas.cranston@knightfrank.com

Knight Frank LLP

St Ann's Quay

124 Quayside

Newcastle upon Tyne

NE1 3BD

Adam Greenwood MRICS

0191 594 5000

07776 858 536

adam.greenwood@knightfrank.com

Dickon Wood MRICS

0191 594 5036

07966 023 924

dickon.wood@knightfrank.com

PROPOSAL

We have been instructed to seek offers in excess of **£1,800,000 (One Million, Eight Hundred Thousand Pounds)** which reflects a **net initial yield** of **7.55%**, based on purchaser's costs of 6.22%.



MISREPRESENTATION ACT: Knight Frank LLP give notice to anyone who may read these particulars as follows:-

1. Particulars: These particulars are not an offer or contract, nor part of one. You should not rely on statements by Knight Frank LLP in the particulars or by word of mouth or in writing ("information") as being factually accurate about the property, its condition or its value. Neither Knight Frank LLP nor any joint agent has any authority to make any representations about the property, and accordingly any information given is entirely without responsibility on the part of the agents, seller(s) or lessor(s). 2. Photos etc: The photographs show only certain parts of the property as they appeared at the time they were taken. Areas, measurements and distances given are approximate only. 3. Regulations etc: Any reference to alterations to, or use of, any part of the property does not mean that any necessary planning, building regulations or other consent has been obtained. A buyer or lessee must find out by inspection or in other ways that these matters have been properly dealt with and that all information is correct. 4. VAT: The VAT position relating to the property may change without notice. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London W1U 8AN, where you may look at a list of members' names. May 2016.