

HIGH STREET RETAIL INVESTMENT



INVESTMENT HIGHLIGHTS

Prime High Street investment let to Maplin & Bon Marche

WAVLT of 7.9 years

Good sized retail units ideal for modern retail requirements

Re-based rents with excellent rental growth prospects

We are instructed to seek offers in excess of **£3,200,000** which reflects a net initial yield of **7.24%**

LOCATION

The City of Newcastle upon Tyne is the regional and commercial capital of the North East. The population of the city is approximately 259,000, whilst the wider primary catchment area is 1,462,000 rating the city fourth of the PROMIS centres. Newcastle is approximately 451km (280 miles) north of London, 160 km (100 miles) north of Leeds and 175km (109 miles) south of Edinburgh.

The A1 (M) and A19 are the principal North/South routes. The A69 extends west towards Hexham and Carlisle, while the A1 is the main route to the north and Scotland. As well as being the focal point of a network of local rail services, Newcastle Central Station is a major staging point on the East Coast Main Line and Cross Country Network. The shortest journey time to London is 2 hours 37 minutes, and to Edinburgh 1 hour 30 minutes.

The city is served by Newcastle International Airport situated approximately 11 km (7 miles) north of the City Centre. The Airport is the tenth busiest of the UK's 59 airports, providing daily flights to the main domestic destinations and major European centres. They also run daily flights to Dubai opening up the region to the Far East.





SITUATION

The subject property is situated on Grainger Street close to its intersection with Market Street. Grainger Street is one of the city's leading retailing streets and forms the main thoroughfare from Newcastle Central Station to Grey's Monument, the main focal point for the retailing and leisure in the city, which in turn leads to the prime pitches of Eldon Square and Northumberland Street.

The area is populated with Grade II listed buildings with ornamental sandstone façades to the upper levels.

Grainger Street is restricted in terms of vehicular access and forms part of the city centre's main bus route. Both Monument and Central Station Metro (Underground Rail) interchange serve Grainger Street providing further access by public transport.

Nearby retailers include TJ Hughes, Wilkinson's, Debenhams, Tesco, McDonalds, Barclays, TM Lewin, Carluccio's, Costa, Jones Bootmaker, Space NK, Sally Hair & Beauty, Cath Kidston and Greggs.

DESCRIPTION

The property dates back to the 1830's forming part of the historic Grainger Town. It comprises a Grade II listed Georgian terrace property, with accommodation arranged over basement ground and three upper floors with an ornamental sandstone façade to the upper levels. The ground floor has been substantially altered to provide good size conventional retail units. The upper parts having been subject to a comprehensive redevelopment in order to provide 16 residential apartments, in line with Grainger Town regeneration project which was established in 1997. The upper floors have been sold off on a long leasehold interest.

The retail units provide large modern units with basement trading and storage facilities. They also benefit from rear servicing.



NEWCASTLE RETAIL MARKET

Traditionally the Newcastle retail market was centred around the Grainger Town core which included streets such as Grainger Street, Grey Street and their side streets. However as the city developed emphasis shifted towards Northumberland Street and Eldon Square shopping centre which was built during the 1970's. Northumberland Street has become known as one of the country's leading high streets, with rental values reaching £3,552 per sq m (£330 per sq ft) in terms of Zone A before the recession took hold. Similar rental levels had been established within parts of Eldon Square.

The extension to Eldon Square shopping centre, which opened in spring 2010, has been successful in attracting retailers such as Apple, Superdry, Paperchase, Adidas and Hollister to the city. To add to this, the 39,483 sq m (425,000 sq ft) extension has been anchored by a new 16,722 sq m (180,000 sq ft) Debenhams strengthening the city's department store offer. Other department stores include Fenwick, Marks & Spencer, John Lewis, BHS, Primark and TJ Hughes.



In 1997 the Grainger Town Project was established in partnership with Newcastle City Council. This was a £120m refurbishment plan to be centred around the historic city core designed and built by John Dobson and Richard Grainger during the 1830's and 40's. The success of Northumberland Street and Eldon Square had led to the decline of this area and the Grainger Town Project which has now been completed has seen the area return to its former glory and has had an enormous impact on the retailing in the locality. With the pedestrianisation of many streets and buildings redeveloped behind the facades the area has been successful in attracting a number of high street names and up-market fashion retailers.

Grainger Street and the area around the Monument now houses retailers such as Hugo Boss, White Company, French Connection, Reiss, Kath Kidston, TM Lewin, Vivien Westwood, Fat Face, Pretty Green, Urban Outfitters, Jamie's Italian, Kiehls, Michael Kors, Jack Wills and Rox.

We expect the location to improve further following the redevelopment of the Newgate Centre by Unite, which will provide a large mixed use student lead scheme.



ACCOMMODATION & TENANCY

Unit	Tenant	Lease Start	Lease End	Rent pa	Areas	Sq M	Sq ft	Comments
96-98 Grainger Street	Bonmarche Limited	10/02/2014	09/02/2024	£95,000 (£67.35 Zone A)	Ground Sales	236.7	2,548	
					ITZA		1213	
					Basement Sales	189.9	2043	Taken at A/12
					Basement Stores	34.5	371	
100-104 Grainger Street	Maplin Electronics Limited	04/02/2013	03/02/2023	£150,000 (£82.20 Zone A)	Ground Sales	294.2	3,167	
					ITZA		1384	
					Basement Sales	233.5	2513	Taken at A/12
					Basement Stores	10.6	114	
Upper floors	Kerrington Developments Ltd	18/10/2005	17/10/3004	Peppercorn				
Totals				£245,000		999.4	10,757	

TENURE

The property is freehold.

RENTAL COMMENTARY

The rents have been re-based on Grainger Street having reached a peak of just over £200 Zone A at the Monument prior to the recession. The previous rents on the units were off circa £111 per sq ft in terms of Zone A and are now approximately 30% below where they were previously. Newcastle now has very few vacant retail units and we would expect these units to benefit from rental growth.

EPC

The property is listed and therefore no EPC's are required.

PROPOSAL

We are instructed to seek offers in excess of **£3,200,000**, which reflects a Net Initial Yield of **7.24%** after purchaser's costs of 5.80%.

VAT

The property is elected for VAT and it is anticipated that the sale will be treated as a TOGC.

COVENANT

Bonmarche Limited

Founded in 1982, the company is now the largest womenswear value retailer catering for women over 50. The company trades from 292 stores throughout the UK and is now listed on AIM with a market cap of £148m. They have a CreditSafe score of 65/100. A summary of the last 3 years financial information is set out below:

Year End	28/03/2015	29/03/2014	31/03/2013
Turnover	£178,575,000	£164,294,000	£170,252,000
Pre-Tax Profit	£12,626,000	£9,467,000	£10,535,000
Shareholders' Funds	£22,528,000	£14,651,000	£7,948,000

Maplin Electronics Limited

Maplin is one of the UK leading Electronics retailers. Since being founded in 1972, it has grown to have in excess of 210 stores. They have a CreditSafe score of 62/100. A summary of the last 3 years financial information is set out below:

Year End	22/03/2014	29/12/2012	31/12/2011
Turnover	£269,227,000	£213,518,000	£205,025,000
Pre-Tax Profit	£13,351,000	£16,193,000	£24,784,000
Shareholders' Funds	£166,106,000	£156,136,000	£143,711,000



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