

TELEFONICA UK LTD

NEWCASTLE BUSINESS PARK



14 YEAR SECURE INCOME
WITH RPI LINKED REVIEWS

INVESTMENT SUMMARY

Modern switch centre building extending to **1,093.92 sq m (11,775 sq ft)**

Located on the established **Newcastle Business Park** with **excellent access** to both Newcastle **City Centre** and the **A1**

Future **development** in Newcastle City Centre **focused on the western side closing the gap between Newcastle Business Park and the City**

Let to **Telefonica UK Limited** for an unbroken **15 years from November 2014**

Rent reviewed to **RPI** with **2.5%** collar and **4.5%** cap

Used as major **O2 mobile phone switching centre** with significant tenant investment in the site

We are instructed to seek offers of **£1,920,000** (One Million Nine Hundred and Twenty Thousand Pounds), which reflects a **net initial yield** of **6.00%** after purchaser's costs at 5.80%, **rising to a minimum** of **6.57%** in 2019 and **7.43%** in 2024.



LOCATION

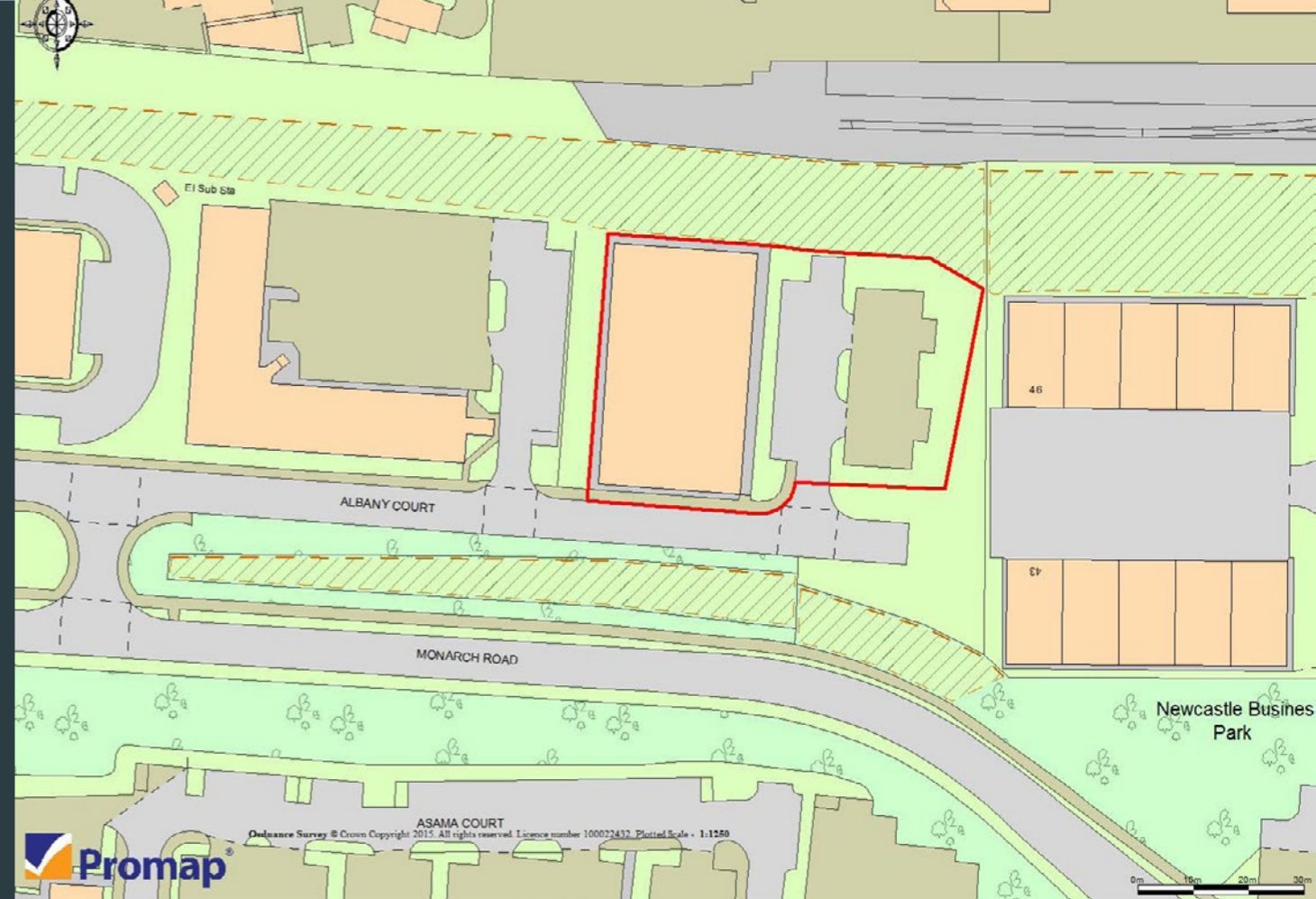
Newcastle upon Tyne is the regional capital of the North East of England and comprises one of the five metropolitan districts, which make up the Tyne & Wear conurbation. The Tyne & Wear conurbation has a resident population of 1,104,800 persons, while the Borough of Newcastle upon Tyne has a resident population of 280,200. [Source: 2011 Census]

The City is well served with communications to the rest of the country, being situated at the hub of the regional road network. Rail communications are also excellent, being situated on the East Coast Mainline with the shortest journey time to London of under 2 hours 40 minutes. The City has an international airport approximately 11 kilometres (7 miles) to the north west, which provides daily flights to the main domestic and European centres.

Newcastle is home to two major Universities with Newcastle University being one of the UK's leading establishments and part of the 24 strong elite Russell Group, the country's most highly regarded universities. The City has a student population of over 50,000 and has been voted best place in the UK for students three years running.

Newcastle is also a dominant retailing location benefitting from extensive city centre provision centred around Northumberland Street and Eldon Square Shopping Centre. With approximately 204,385 sq m (2.2 million sq ft) of City centre retail accommodation, the City ranks fourth of the provincial cities and is fifth of the 100 PROMIS centres in both spend and number of retailers.

The City has also proven robust as a business location being home to many high profile office occupiers including Barclays Bank, Sage Group, PWC, Procter & Gamble and Virgin Money.





SITUATION

Newcastle Business Park is situated on the north bank of the River Tyne, approximately 1 mile to the west of the City Centre. The park was constructed in the late 1980's and early 1990's and comprises a total of 52,955 sq m (570,000 sq ft) of predominantly office accommodation.

Major occupiers on Newcastle Business Park include, AA Insurance Services, British Airways and the Environment Agency. The subject property occupies an end site facing onto Albany Court which is accessed off Monarch Road, the main thoroughfare through the business park.

DESCRIPTION

The property comprises a modern, single-storey warehouse/office building constructed in 1989 as part of the first phase of Newcastle Business Park. The property is of steel frame construction, with part brick and part glazed elevations under a pitched, pantile roof.

The ground floor comprises office accommodation to the front elevation with switching and power/plant rooms to the rear. The office area is fitted out to a modern standard to include carpeted floors, papered plastered walls, perimeter trunking incorporating power and telephone points and a suspended ceiling incorporating recessed fluorescent lighting. The office areas also benefit from air conditioning. Windows are aluminium framed casements with double glazing. In addition to a separate reception area there is also kitchen facilities together with male and female toilet facilities.

The bulk of the unit forms the switching room with contains extensive telecoms equipment and is fitted out to include lino tiled floors, painted plastered walls and suspended strip lighting. The unit contains air handling and air conditioning equipment together with fire safety systems. To the east elevation of the unit there is a small single storey extension housing the fire safety systems, above this is a steel platform housing the air-conditioning equipment. To the north boundary of the car park there are dual power backup generators.

The building has benefitted from considerable ongoing tenant investment and serves as a major staging hub for the O2 mobile phone network, being the principal switching centre between Glasgow and Halifax.



TENANCY

The property is let in its entirety to Telefonica UK Limited (Company Reg No: 01743099) for a term of 15 years from 7th November 2014. The lease provides for five yearly rent reviews which are linked to RPI with a collar of 2.5% and a cap of 4.5% compounded annually.

The current passing rent is £118,000 per annum and it is the vendor's intention to top up this rent to **£121,953** per annum representing the minimum 2.5% pa increase from lease commencement to January 2016.

Assuming the minimum uplift of 2.5% pa compounded the rent will rise at review as follows:

2019 - £133,505pa
2024 - £151,047pa

COVENANT INFORMATION

Telefonica UK Limited operates O2 as its commercial brand. O2 have 23 million customers running 2, 3 and 4G networks across the UK as well as O2 Wifi. They also own half of Tesco Mobile and have over 450 retail stores.

The last three years published accounts for Telefonica UK Limited show the following:

	31st December 14	31st December 13	31st December 12
Turnover	£5,485,000,000	£5,535,000,000	£5,609,000,000
Pre-Tax Profit (Loss)	£496,000,000	£576,000,000	£489,000,000
Shareholders Funds	£12,367,000,000	£11,981,000,000	£11,060,000,000

TENURE

The property is held freehold.

ACCOMMODATION

The property has a Gross Internal Area of 1,094 sq m (11,775 sq ft).

The property is situated within a landscaped site of 0.301 ha (0.74 acres), incorporating parking for approximately 33 vehicles.

PROPOSAL

We are instructed to seek offers of **£1,920,000** (One Million Nine Hundred and Twenty Thousand Pounds), which reflects a **net initial yield** of **6.00%** after purchaser's costs at 5.80%, **rising to a minimum** of **6.57%** in 2019 and **7.43%** in 2024.

VAT

We understand the property is elected for VAT purposes. It is anticipated that the sale will be treated as the Transfer of a Going Concern (TOGC).

EPC

E-106.

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Misrepresentation Act: These particulars shall not form part of any offer or contract and no guarantee is given as to the condition of the property or the accuracy of its description. An intending purchaser or tenant is not to rely on any representation made in these particulars and must satisfy himself as to their accuracy by his own investigation before entering into any contract. January 2016.



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