

# PRIME NORTHUMBERLAND STREET RETAIL INVESTMENT



## INVESTMENT HIGHLIGHTS

**Prime High Street** investment opportunity on one of the UK's leading shopping streets

**WAVLT** to lease expiry of **6.9 years**

**Asset management** angles and rental growth

**40%** of the **income** to **Lloyds Bank PLC**

We are instructed to seek offers in excess of **£7,450,000** which reflects a net initial yield of **6.44%**.

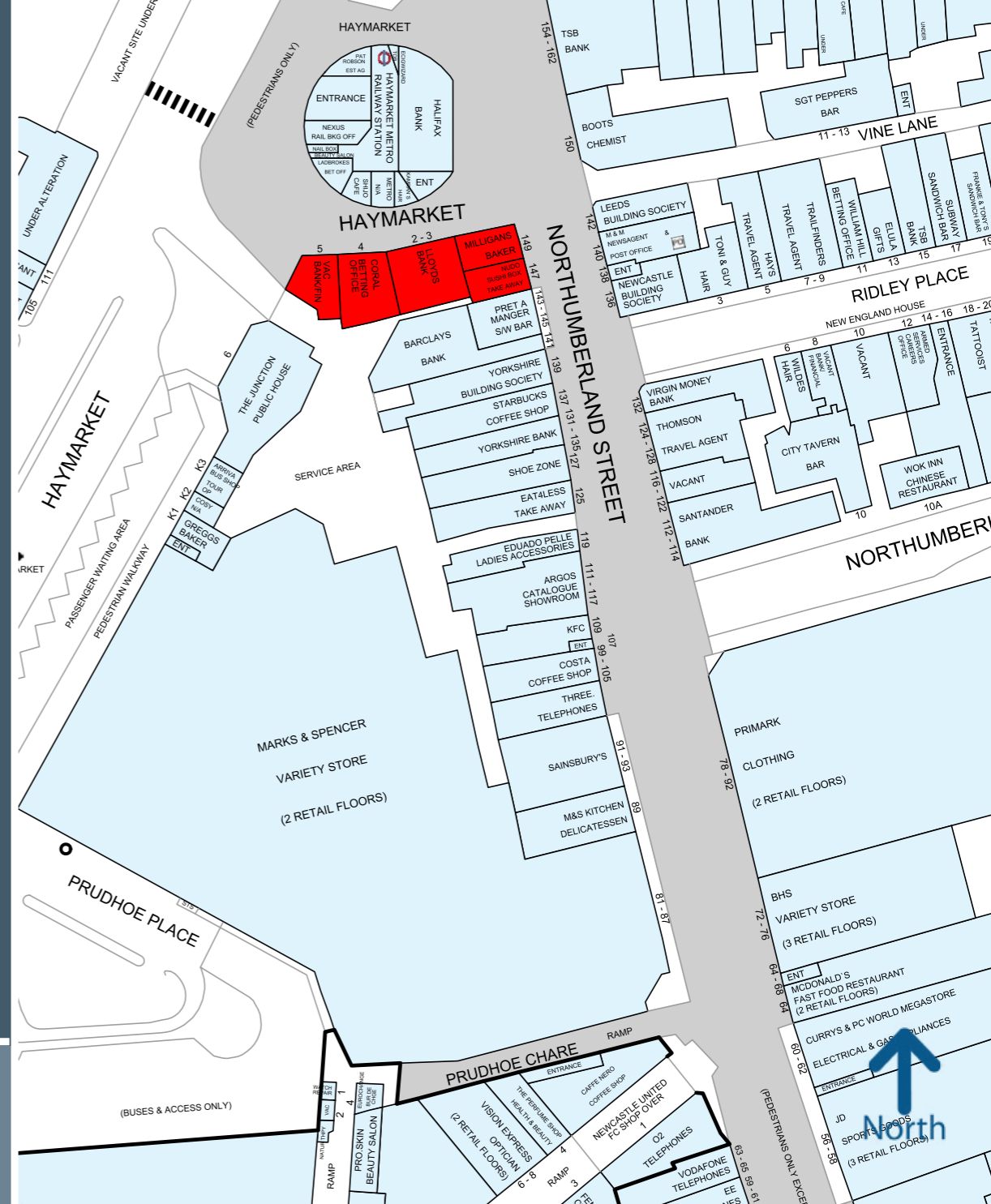


## LOCATION

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.





## DESCRIPTION

The property is a corner building situated on the axis of Northumberland Street and Haymarket. The property consists of 5 retail units at ground floor, while the upper parts are a mix of office and ancillary space. The two units occupied by Nudo Sushi and Milligans front Northumberland Street, while the 3 remaining units let to Lloyds, Coral and Instant Cash Loans front Haymarket.

The Northumberland Street units are ground floor only. Lloyds Bank occupy the ground floor of Units 2 and 3 Haymarket and the first floors of Units 1, 2 and 3 Haymarket. They also have the entire

second floor of the block on a separate lease. The units let to Coral and Instant Cash Loans have the benefit of ground floor with 1st floor office and ancillary space.

Externally the property has traditional retail frontages with the upper floors providing a mixture of brick, panelled and glazed frontages at first and second floors. The rear of the property is of brick construction with the entire property sitting under a flat roof. There is a rear service yard accessed from Haymarket.

## SITUATION

The subject property is situated at the northern end of Northumberland Street adjacent to the Haymarket Metro Station, the main stop for retailers coming into the city centre. Northumberland Street is one of the UK's leading high streets and is home to the likes of Fenwick, M&S, Primark, BHS, McDonalds, Boots, Samsung and Curry's.

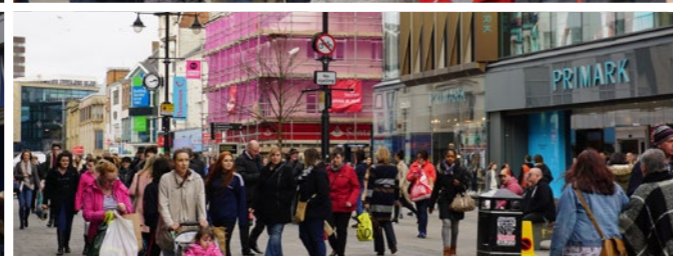
Nearby retailers include Primark, M&S, Pret, TSB, Halifax, Starbucks, Argos, 3 Mobile and Sainsbury's. In addition KFC are also currently fitting out at 109 Northumberland Street. The property is also located adjacent to the main Haymarket bus station adding to the footfall traffic heading to Northumberland Street.



## 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 pre-recession 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, M&S, 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.

Northumberland Street continues to thrive and has seen a number of improvements during the recession, with Primark doubling up into the former BHS store and redeveloping the façade. Intu have continued to invest in Eldon Square and have created a new frontage onto Northumberland Street with units which have been occupied by O2 and Caffè Nero. JD Sport have doubled up into the former HMV unit and Monument Mall has been comprehensively redeveloped to create one of the best blocks of high street in the UK.

## ACCOMMODATION & TENANCY

The property is let in accordance with the tenancy schedule below. It has a WAULT to expiry of 6.9 years and to breaks of 5.5 years.

## TENURE

The property is freehold.

Unit	Tenant & Vacant	Unit Type	Lease Start	Lease End	Term	Next Review Date	Areas Sq ft	Total	ERV	Comments
147 Northumberland St	Nudo Sushi Box Limited	Retail	04/01/2013	03/01/33	20	31/10/17	Ground - 717 ITZA - 576.5	£70,000	£86,500	Tenant break clause as at 04/01/23 on serving not less than 6 months notice. There is a rent Deposit of £32,400 with this unit.
149 Northumberland St	Milligans Retail Ltd	Retail	01/01/2010	31/12/19	10	01/01/15	Ground - 603 ITZA - 503	£96,150	£79,250	There is a guarantee in place from Milligan's Retail and Cafes Ltd. 2015 Rent Review not instigated.
Ground & First floors Units 2 & 3 Haymarket & First Floor of Unit 1	Lloyds TSB Bank Plc	Retail	06/07/2011	05/07/21	10	06/07/16	Ground - 1,556 ITZA - 1,187 First - 1,172	£162,000	£162,000	
Second Floor, Units 1, 2, & 3 Haymarket	Lloyds TSB Bank Plc	Office	06/07/2011	05/07/21	10	06/07/16	5,107	£46,000	£48,500	
4 Haymarket	Coral Racing Limited	Retail	14/02/2014	13/02/24	10	14/02/19	Ground - 1,225 ITZA - 950 First - 982	£80,000	£90,400	
5 Haymarket	Instant Cash Loans Limited	Retail	06/05/2010	05/05/20	10	06/05/15	Ground - 615 ITZA - 593 First - 624	£57,500	£57,500	2015 Rent Review not instigated. Tenant not in occupation.
								<b>£511,650</b>	<b>£524,150</b>	

## RENTAL COMMENTARY

Northumberland Street rents reached a peak of circa £330 per sq ft in terms of Zone A, as with all high streets these levels fell back during the recession but a number of retailers have continued to take space, such as Primark, Sports Direct, JD Sports, Sainsbury's, O2 and Caffè Nero. As a result rents are starting to recover towards pre-recession levels.

The most recent letting to take place close to the

subject property is at 109 Northumberland Street. KFC have taken a 20 year lease with a break at year 10 at a rent of £95,000pa with 6 months' rent free. The rent devalues to a net Zone A rate of £166 per sq ft. Other lettings have taken place in the immediate location in the last few years such as Newcastle Building Society taking the former KFC at 136 Northumberland Street at a Zone A rate of circa £200 per sq ft.



## COVENANT

### Lloyds Bank PLC CreditSafe Score 86/100

Lloyds Bank was originally founded in Birmingham in 1765. Today the group has 1,500 branches, over 30 million customers and approximately 88,000 staff. For the year ending 31st December 2014, Lloyds Bank Plc reported a turnover of £27bn, a pre-tax profit of £2.2bn and shareholder funds of £44.7bn.

### Coral Racing Limited CreditSafe Score 92/100

Coral Racing Limited is part of the Gala Coral Group, one of the UK's leading casino and leisure operators. Its brands include Coral bookmakers, Gala Casino's and Bingo as well as the on-line offer. They have in excess of 1,700 shops throughout the UK. For the year ending 27th September 2014, Coral Racing Ltd reported a turnover of £668m, a pre-tax profit of £56m and shareholder funds of £299m.

### Nudo Sushi Limited CreditSafe Score 59/100

Nudo Sushi is a North East based food chain, which was established in 2009. It now operates from 6 outlets in the region and has just recently opened in Manchester. They have developed an excellent reputation in the region and continue to grow. For the year ending 31st August 2014 Nudo Sushi Limited reported shareholder funds of £224,184 up from £23,057 the year prior.

### Instant Cash Loans Limited CreditSafe Score 49/100

Instant Cash Loans Limited trades under the name of Money Shop. They provide a range of financial services to include, loans, pawn broking, gold trading, travel money, jewellery and cheque cashing. For the year ending 30th June 2014 Instant Cash Loans Ltd reported a turnover of £154m, a pre-tax profit of -£61m and shareholder funds of -£21m.

### Milligans Retail Limited CreditSafe Score 40/100

Milligans is a North East based bakery chain originally founded in 1946. The first store was opened by Norman & Joan Milligan on Elswick Road in Newcastle upon Tyne. Their son Lloyd then joined the business and grew it into the successful business known today. For the year ending 31st December 2014 Milligans Retail Limited reported shareholder funds of £21,631. There is a guarantee in place from Milligans Retail & Cafes Limited who have a CreditSafe score of 78/100.

## ASSET MANAGEMENT

The property has a number of asset management opportunities which will both improve income and enhance the value, these include:

The letting to KFC provides evidence of good rental growth for the rent review in 2017 on the Nudo Sushi unit.

Discussion have been held with Lloyds bank recently about providing Northumberland Street frontage. They haven't exercised their 2016 break clause and are keen to remain in this location, but would like more presence. There is the opportunity to work with them to reconfigure/refurbish the property to provide them with the flagship property they require.

Instant Cash Loans Limited have 4 years remaining on their lease but are no longer in occupation. There is the opportunity to take a surrender premium from them and re-let the property.

Historically there has been an advertising hoarding at first floor level on the Haymarket frontage above Milligans. There may be an opportunity to add a digital screen to this location to provide additional revenue.

## EPC

The EPC's are available on request.

## PROPOSAL

We are instructed to seek offers in excess of **£7,450,000**, which reflects a net initial yield of **6.44%** after purchaser's costs of 6.66%.

## VAT

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

## CONTACT

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