

PRIME HIGH STREET INVESTMENT

124-130 NORTHUMBERLAND STREET
NEWCASTLE UPON TYNE NE1 7DG



INVESTMENT HIGHLIGHTS

- Prime High Street investment opportunity on pedestrianised Northumberland Street
- New 10 year lease & occupied as Tenants Head Office
- One of the UK’s leading shopping streets which has seen significant investment
- Close proximity to Primark, M&S, Boots and transport interchange
- We are instructed to seek offers in excess of £3,100,000 which reflects a net initial yield of 5.45% after deduction of purchaser’s costs of 6.46%.



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 1,502,000 rating the city 3rd in the UK outside London. Newcastle is approximately 451km (280 miles) north of London, 160 km (100 miles) north of Leeds and 169km (105 miles) south of Edinburgh.

Transport links are excellent, with the A1 (M) and A19 providing the principal north/south routes. The A69 extends west towards Hexham and Carlisle. 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.

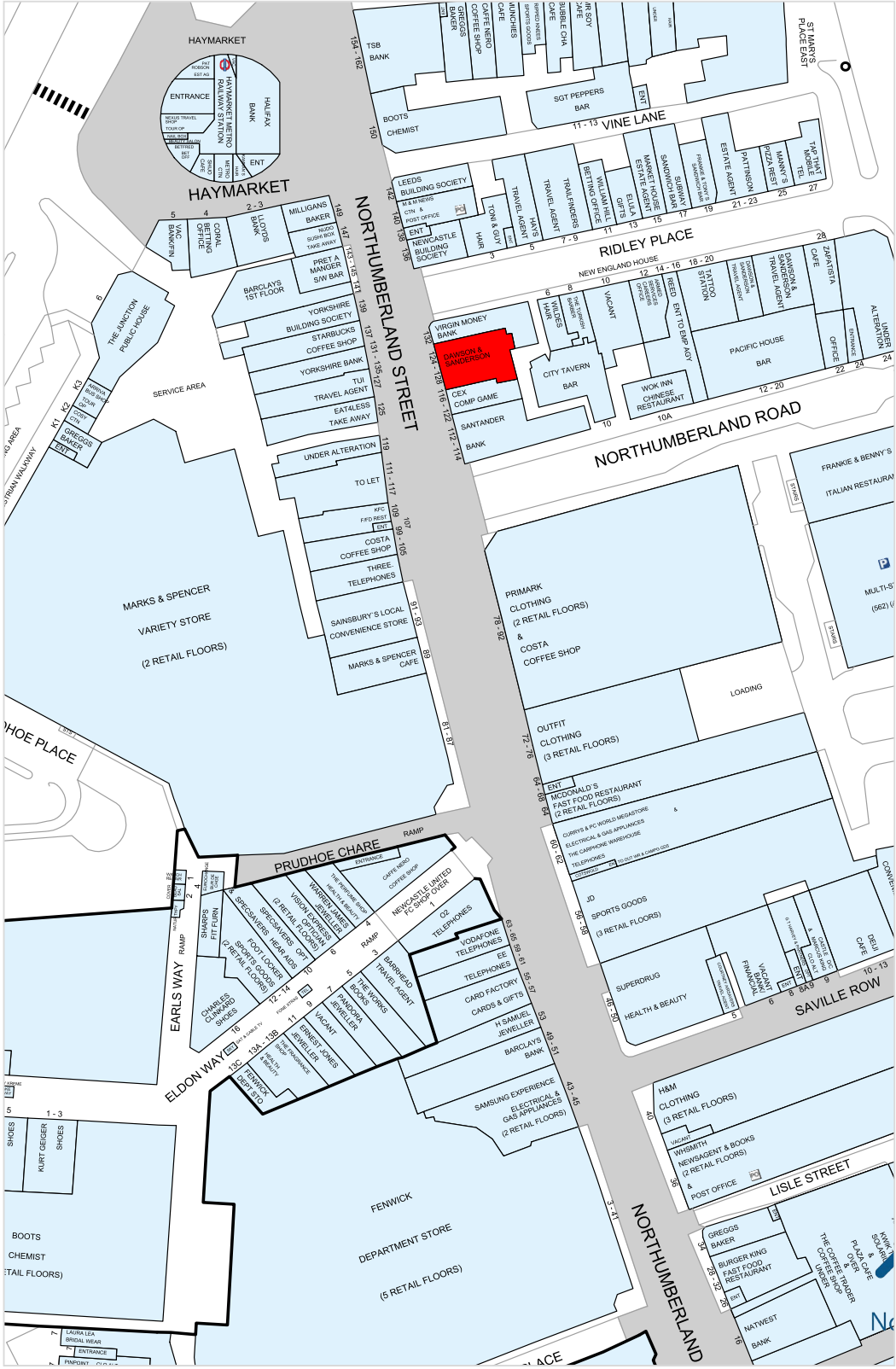
The city is served by Newcastle International Airport situated approximately 11 km (7 miles) north of the city centre. The airport is the tenth busiest of the UK’s 59 airports, providing daily flights to over 80 destinations worldwide.

SITUATION

The subject property is situated on the prime pedestrianised Northumberland Street close to retailers such as Primark, M&S, Boots, Starbucks, Pret a Manger and Sainsbury’s. The property is also close to the Haymarket Metro Station, the main stop for shoppers coming into the city centre. The Haymarket bus station, the city’s main bus station is also close by.

Northumberland Street is one of the UK’s leading high streets and is home to the likes of Fenwick, JD Sports, H&M, Outfit, Samsung, Sports Direct, O2, TK Maxx, McDonalds and Curry’s PC World amongst others.

Northumberland Street is set to benefit further as a result of a £3m cash injection from the City Council as part of its plan to turn Newcastle into a ‘world renowned shopping and leisure destination’. The money will be spent on improving public realm, street furniture, improved public spaces and events.



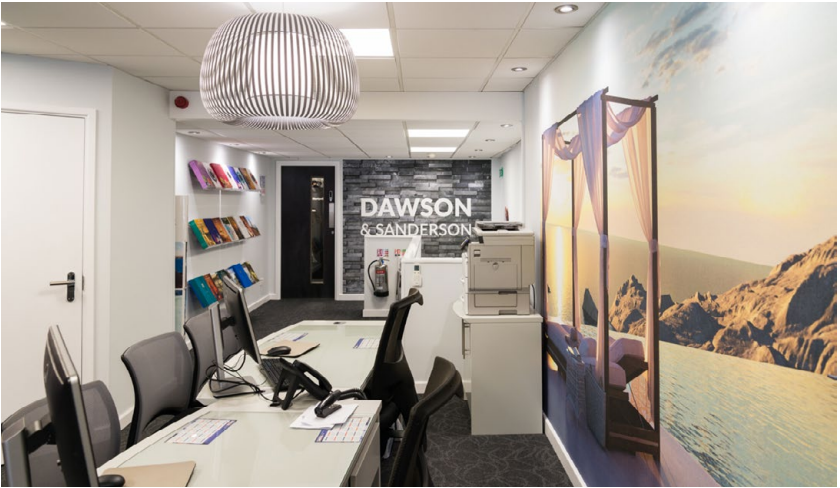
DESCRIPTION

The property is a traditionally built mid terraced retail unit of stone and brick construction under a pitched slate roof with a retail frontage. To the rear the property has been extended at ground floor level. The property provides accommodation over ground and 3 upper floors. The ground floor provides traditional retail space. The upper floors provide office and welfare space. The entire property has been fitted out to a high standard and is now Dawson & Sanderson Limited’s Head Office.



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. 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, Primark and TJ Hughes.

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 an improved entrance 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, housing tenants such as Jack Wills, Hugo Boss, Fat Face, Sports Direct, Michael Kors and Molton Brown. As a result the city has very few vacant units within its primary shopping areas.



TENURE

The property is freehold.

ACCOMMODATION

Area	Sq ft	Sq m
Ground Floor	1,940	180.2
ITZA*	1,156	107.4
1st Floor	1,313	122
2nd Floor	903	83.9
3rd Floor	266	24.7
Total	4,422	410.8

*ITZA includes 5% reduction for frontage to depth.

TENANCY

The property has been let by way of a new 10 year FRI lease to Dawson & Sanderson Limited at an initial rent of £180,000 per annum from 1st February 2018. There is a tenant’s option to break at the end of year 6 subject to payment of a £45,000 penalty. There is a rent review in year 5.

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, Samsung, O2 Caffè Nero, KFC, CEX and Outfit amongst others. As a result rents are starting to recover with prime Northumberland Street rents close to £250 Zone A.

Recent lettings close to the subject property include 109 Northumberland Street, where 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 Zone A rate of £166 per sq ft. Other lettings include Newcastle Building Society taking the former KFC at 136 Northumberland Street at a Zone A rate of circa £200 per sq ft. Tui have taken a unit at 127 Northumberland Street in July 2017 at a rent equating to £167 Zone A. CEX have taken a new lease from July 2017

at 120 Northumberland Street at a rent of £72,500pa, which equates to £142 Zone A.

The passing rent on 124-130 Northumberland Street devalues to £139.82 per sq ft in terms of ITZA. Given some of the more recent evidence we would suggest there is excellent scope for rental growth at review.

COVENANT

Dawson & Sanderson Limited (Company No 00741833).

Creditsafe Score = 70/100 which is categorised as low risk. Creditsafe ranks the company in the top 25% of companies from the same industry.

Dawson & Sanderson was founded in Newcastle upon Tyne in 1962 and has grown to operate from 22 branches in the North of England. Since it’s inception it has gone on to serve over 8 million customers.

A summary of their last 3 years accounts are set out below:

Year End	31st August 2017	31st August 2016	31st August 2015
Turnover	£9,918,013	£9,313,213	£9,271,929
Pre-tax Profit	£310,624	£97,156	£277,506
Shareholder’s Funds	£4,423,082	£4,102,762	£4,287,070

EPC

The property has an EPC rating of D-89.

PROPOSAL

We are instructed to seek offers in excess of **£3,100,000** which reflects a net initial yield of **5.45%** after deduction of purchaser’s costs of 6.46%.

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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