



CITY CENTRE INVESTMENT WITH ASSET MANAGEMENT OPPORTUNITIES
45-51 CLAYTON STREET & 40-42 NEWGATE STREET NEWCASTLE UPON TYNE NE1 5PW

INVESTMENT HIGHLIGHTS

- **High Street** investment let to strong covenant of Burger King until 2039
- **Opposite Eldon Square and close to Tesco, Greggs & KFC, the New Maldron Hotel and The Gate**
- Significant opportunity to convert 11,289sq ft of vacant upper floors to student or residential accommodation

We are instructed to seek offers in excess of **£2,500,000** which reflects a net initial yield of **7%** off the income and **£43 per sq ft on the vacant space** after deduction of purchaser's costs of 6.38%. This is a **low overall capital value of £153 per sq ft**

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. Newcastle is approximately 451km (280 miles) north of London, 160 km (100 miles) north of Leeds and 175km (109 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 and only a short walk from the property. 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 eastern side of Clayton Street, one of the city's main thoroughfares. This section of Clayton Street links Eldon Square Shopping Centre with the Grainger Market. Clayton Street is named after John Clayton, who was a town clerk in the city during the 19th Century. He worked with Richard Grainger and John Dobson in redeveloping the city centre into what is known as the historic 'Grainger Town' today.

Nearby occupiers include The New Maldron Hotel, Premier Inn, Zaap Thai, German Donner Kebab, Tesco, Ladbrokes, Greggs, Poundland, Subway, Starbucks and The Grainger Market, which is due to undergo a major multi-million pound refurbishment.



NEWCASTLE RETAIL MARKET

Traditionally the Newcastle retail market was centred around the Grainger Town core which included streets such as Clayton Street, Grainger Street and Grey Street. However, as the city developed emphasis shifted towards Northumberland Street and Eldon Square shopping centre which was built during the 1970's. However, the Grainger Town Project which was set up in 1997 regenerated these streets to their former glory and was hailed as an 'Urban Renaissance'. These streets now provide much of the retail and leisure space in the city with a blend of complimentary office and residential space to the upper floors.

The extension to Eldon Square shopping centre, which opened in spring 2010 has frontage onto Clayton Street opposite the property. It has been successful in attracting retailers such as Apple, Superdry, River Island and Hollister to Newcastle. Notable tenants fronting Clayton Street include Tesco and Poundland. The area has been strengthened further with redevelopment of the former Newgate Centre by McAleer & Rushe, which is now a mix of new retailers, student accommodation and the New Maldron Hotel. The location is also strengthened further by the thriving night time economy with The Gate and The Bigg Market in close proximity.



DESCRIPTION

The majority of the property is a traditional sand stone built Grade II listed building sitting under a pitched slate roof on the corner of Clayton Street and Nun Street. The property is a traditional Grainger Town Building designed and built by John Dobson & Richard Grainger. The property provides accommodation over basement, ground and 3 upper floors. The ground floor provides traditional retail space with glazed frontage which is let to Burger King. The upper floors are currently vacant but were previously used as office space.

40-42 Newgate Street which links into 45-51 Clayton Street is a modern extension to the building built over ground and 2 upper floors under a pitched slate roof. The property provided a ground floor retail unit with a separate access to the upper floors from both Nun Street and Newgate Street.

NEWCASTLE STUDENT AND RESIDENTIAL MARKET

Newcastle upon Tyne has 2 very successful universities in both Newcastle University which is a Russell Group University and The University of Northumbria. In total there are 55,000 students studying in the city. There has been a shift in demand to city centre accommodation in order to reduce travel times to the university campus' as part of their sustainable policies. There is now a focus on students being able to walk to university rather than commuting.

There has been further increase in demand for short term residential lets to meet demand from increased tourism and contract work etc in the city. A bricks and mortar report in 2022 identified a requirement for in excess of 1,000 new rental properties each year to meet demand in the city.

TENURE

The property is Freehold.

TENANCY INFORMATION

The ground floor and basement are let to BKUK Devco Limited and BKUK Group Limited by way of a 20 year lease from 5th April 2019 expiring 4th April 2039. There is a tenant's option to break in April 2034. The current rent is £150,000pa. There are 5 yearly upwards only rent reviews. The 2024 rent review is ongoing.

COVENANT

Burger King was founded in 1954 and has grown to become the second largest fast food hamburger chain in the world serving more than 11 million people every day. In 2017 Bridgepoint acquired the franchise rights for Burger King in the UK. The lease is taken in the name of BKUK Devco Ltd with a guarantee from BKUK Group Ltd. A summary of their last three years accounts are set out below:

BKUK Devco Ltd (Company No 10980858)

Creditsafe Score: 80/100

Creditsafe Rating: A (Very Low Risk)

Year End	31st December 2022	31st December 2021	31st December 2020
Turnover	£85,833,000	£46,562,000	£20,056,000
Pre-Tax Profit	-£14,030,000	-£1,902,000	-£13,270,000
Shareholder Funds	£18,916,000	£17,946,000	-£4,500,000

BKUK Group Ltd (Company No 10980808)

Creditsafe Score: 80/100

Creditsafe Rating: B (Very Low Risk)

Year End	31st December 2022	31st December 2021	31st December 2020
Turnover	£294,482,000	£211,712,000	£125,974,000
Pre-Tax Profit	-£48,723,000	£11,637,000	-£23,420,000
Shareholder Funds	-£113,422,000	£64,955,000	-£77,882,000

ACCOMMODATION

Address	Area	Sq Metres	Sq feet
45-51 Clayton Street (Burger King)	Basement	29.82	321
	Ground Floor	433.3	4,664
	ITZA	229.75	2,473
40-42 Newgate Street (vacant)	Ground Floor	59.0	635
Upper Floors (vacant)	1st Floor	391.3	4,212
	2nd Floor	397.25	4,276
	3rd Floor	201.13	2,165
	Total	1,511.8	16,273

RENTAL COMMENTARY

We have analysed the passing rent to be £59.01 per sq ft in terms of Zone A. In arriving at this figure we have assumed £3.50 per sq ft on the basement and £5 per sq ft on the ground floor store areas.

ASSET MANAGEMENT

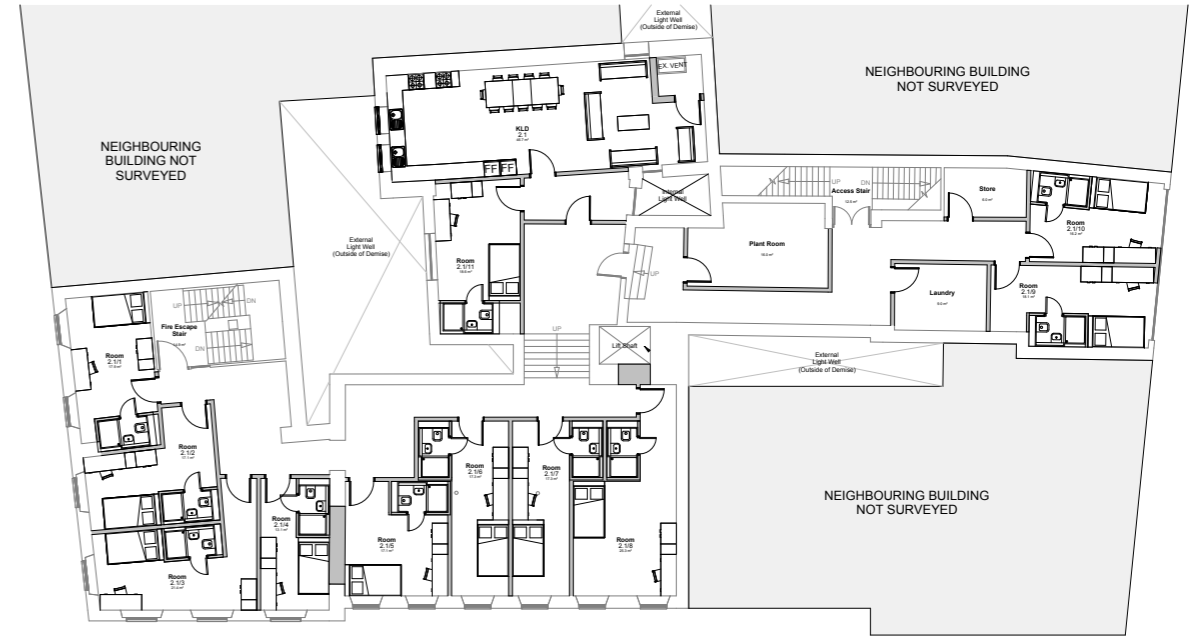
The majority of upper floors on Clayton Street have been converted to residential. There is an opportunity to continue this trend and convert the upper floors to either student accommodation or more traditional residential. There is significant demand for further Student accommodation, city centre apartments and apart hotels.

- An indicative student scheme has been drafted by NORR Architects showing 28 beds with the potential to add further on the Newgate Street elevation. See plans. Further information available on request.
- There may also be the opportunity to retain the retail unit fronting Newgate Street for retail if not required for the upper floor conversion

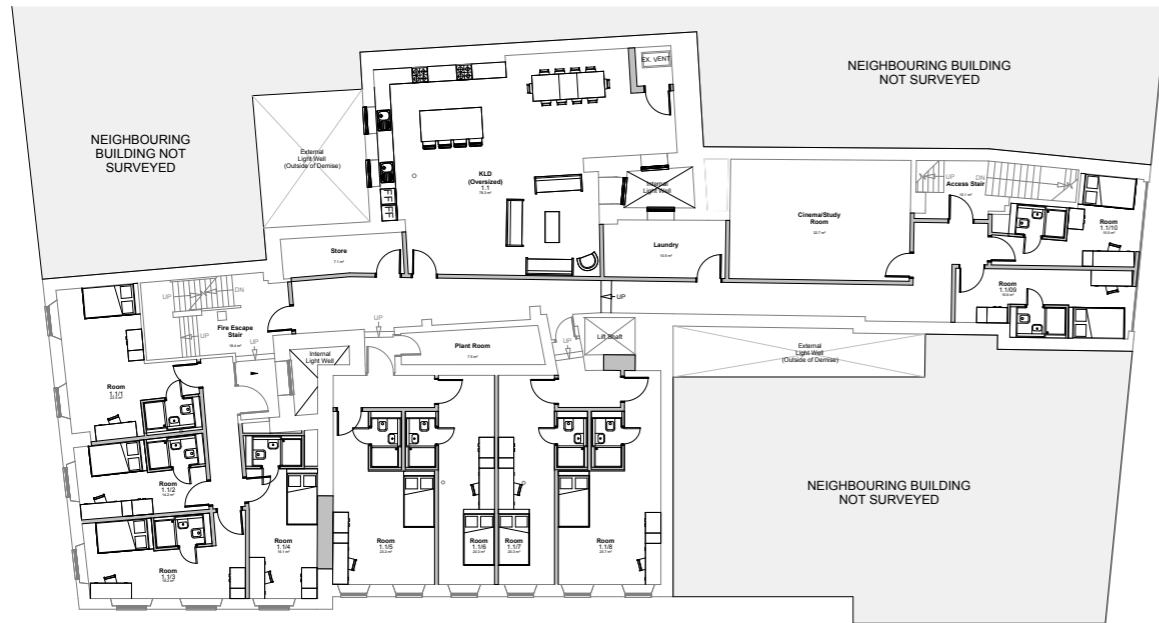
FLOOR PLANS



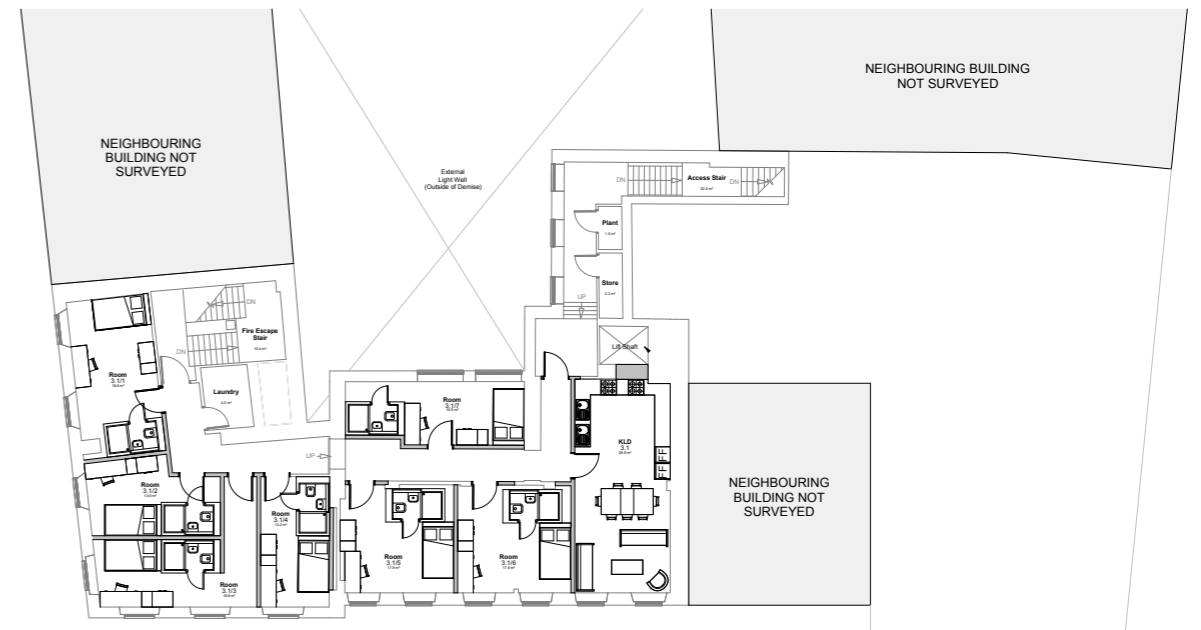
LEVEL 00 - PROPOSED GROUND FLOOR CLAYTON STREET



LEVEL 02 - PROPOSED SECOND FLOOR



LEVEL 01 - PROPOSED FIRST FLOOR



EPC

E121.

PROPOSAL

We are instructed to seek offers in excess of **£2,500,000** which reflects a net initial yield of **7% on income and £43 per sq ft on the vacant space** after deduction of purchaser's costs of 6.38%.

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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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. July 2023.

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