North Tyneside Council
Quadrant – The Silverlink North, Cobalt Business Park, Newcastle, NE27 0BY

Modern Government Let Office Investment
21 Year Unexpired Lease Term
with Annual Rent Reviews
• Located on Cobalt Business Park, in Newcastle, with easy access to the A1 dual carriageway via the A19 dual carriageway.

• Built in 2005 and extended in 2007, the property comprises a modern, well specified office building totalling approximately 116,251 sq ft (10,799.98 sq m).

• The property is offered on a long leasehold basis with an unexpired term of 109 years at an annual peppercorn rent.

• Entirely let to North Tyneside Council on a 25 year term from 19th November 2007 expiring 18th November 2032 (with currently around 21 years unexpired).

• The property is let on a Lease Plus Agreement with a total income of £2,244,142 per annum.

• Under the Lease Plus Agreement the total initial income is apportioned 68% to the base occupational rental income and 32% for the Facilities Management Service provision.

• The 68% base occupational income is subject to fixed annual increases of 2.6% per annum and currently amounts to £1,504,385 per annum (£12.94 per sq ft). The 32% FM element is subject to annual increases in line with the movement in RPIx.

• Offers are invited in excess of £23,590,000 (Twenty Three Million, Five Hundred and Ninety Thousand Pounds) subject to contract and exclusive of VAT.

• Reflects an attractive net initial yield of 6.00% after allowing for purchaser’s acquisition costs of 6.3% when calculated against the occupational rental income of £1,504,385.

• Reflects a reversionary yield in year 15 of 7.76% and an ultimate reversionary yield in 2031 of 10.03%.
Location

The property is located on Cobalt Business Park, Newcastle which is the regional capital of the North-East and is located approximately 145 km (91 miles) north of Leeds, 190 km (119 miles) south-east of Edinburgh, 224 km (140 miles) north-east of Manchester and 456 km (285 miles) north of London.

By Road
• Cobalt Business Park benefits from excellent road links to the major urban areas in the North-East via the A19 which passes adjacent to the south-west boundary of the Park.
• The A19, via the A194, provides access to the A1(M) and the national motorway network to the south of Newcastle.
• Newcastle city centre is approximately 10 km (6 miles) to the south-west of the Park via the A1058 Coast Road.

By Bus
• Cobalt Business Park is on eight local bus routes and has a dedicated fleet of ‘Cobalt Clipper 309’ buses operating from Newcastle Haymarket Interchange directly to Cobalt and the North-East coast to the east, running every half hour in each direction.
• The R19 service runs directly through Cobalt and connects with every peak time Metro at Northumberland Park Interchange. Only a 3 minute journey from Cobalt, the 9/A runs from South Tyneside at Percy Main and meets every ferry at the North Shields terminal.
• With a service running every 15 minutes, the ‘Stephenson Link’ is a rapid transport link connecting the Park to the north and south loops of the Tyne & Wear Rail Network, and providing direct access to both Newcastle International Airport and Newcastle city centre.

By Rail
• Newcastle is on the East Coast Main Line, with a fastest journey time to London Kings Cross of approximately 2 hours 50 minutes and to Edinburgh in 1 hour 40 minutes.
• The rail network also provides a direct route to Manchester with a fastest journey time of approximately 2 hours 35 minutes.

By Air
• Cobalt Business Park is located only 18 km (11 miles) from Newcastle International Airport, which provides both domestic and international flights to destinations throughout Europe and to selected destinations in North America, The Caribbean, Africa and the Middle East.
Cobalt Business Park is considered to be one of the foremost Business Parks in the UK in terms of size and quality. When fully developed at 3 million sq ft, it will be the UK’s largest office park on 143 acres of land.

The Park benefits from having an excellent location with good transport links and numerous on-site facilities. The high specification offices provide head quarter style accommodation let to an impressive range of tenants that include the following:

- Proctor & Gamble
- Land Securities Trillium (Department of Work and Pensions)
- EDS
- Orange
- Fujitsu
- Santander Cards
- Northumbria Healthcare NHS Trust

The Park also has a unique combination of on-site facilities:

- 39 acre countryside park which was designated as a local nature reserve in 2008.
- The Just Learning Children’s Day Nursery has secure play areas (with CCTV) and 25 staff on site providing childcare for up to 110 children aged between 2 months to 5 years.
- 157 bedroom Newcastle Village Leisure Hotel incorporating 4 star facilities, conference banqueting and business meeting facilities and leisure facilities such as a 25 metre pool, sauna, fitness studio and spa.

The Silverlink Retail Park is also located close to the Park and existing tenants include Next, Argos, Halfords, Currys and PC World. Other nearby occupiers include an Odeon Cinema, Pizza Hut, Frankie & Benny’s, McDonald’s and a complex of car showrooms (including Porsche, Audi, Volkswagen, Toyota and BMW).

The property is prominently located adjacent to The Silverlink North and lies at the north western corner of the Park on the site known as Plot 16.

More information on Cobalt Business Park is available at www.cobaltbusinesspark.com

Demographics

Cobalt Business Park is highly accessible to a large catchment population including the conurbations of North Shields, South Shields, Tynemouth and Jarrow. The working population, within the following drive times, are as follows:

<table>
<thead>
<tr>
<th>Distance (Minutes)</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>93,159</td>
</tr>
<tr>
<td>20</td>
<td>466,334</td>
</tr>
<tr>
<td>30</td>
<td>1,077,907</td>
</tr>
<tr>
<td>40</td>
<td>1,451,751</td>
</tr>
</tbody>
</table>

Source: CACI
Site Area
The property is situated on a site of approximately 3.826 acres (1.548 hectares).

North Tyneside Council Ordnance Survey Map

This plan is published for convenience of identification. Any boundaries shown are indicative only and should be checked against the Title Deeds. The plan is based upon Ordnance Survey Map with the permission of the Controller of H M Stationery © Crown Copyright.
Floor Areas

The property has been measured on a Net Internal Area basis in accordance with the RICS Code of Measuring Practice (6th Edition) and the approximate areas are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Sq ft</th>
<th>Sq m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Building</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground Floor</td>
<td>24,121</td>
<td>2,240.92</td>
</tr>
<tr>
<td>Level 1</td>
<td>24,299</td>
<td>2,257.45</td>
</tr>
<tr>
<td>Level 2</td>
<td>26,642</td>
<td>2,475.13</td>
</tr>
<tr>
<td>Level 3</td>
<td>26,451</td>
<td>2,457.38</td>
</tr>
<tr>
<td>Sub Total NIA</td>
<td>101,513</td>
<td>9,430.88</td>
</tr>
<tr>
<td>2007 Extension</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground Floor</td>
<td>3,871</td>
<td>359.60</td>
</tr>
<tr>
<td>Level 2</td>
<td>4,249</td>
<td>394.70</td>
</tr>
<tr>
<td>Level 3</td>
<td>4,249</td>
<td>394.70</td>
</tr>
<tr>
<td>Level 4</td>
<td>2,369</td>
<td>220.10</td>
</tr>
<tr>
<td>Sub Total NIA</td>
<td>14,738</td>
<td>1,369.10</td>
</tr>
<tr>
<td>Total NIA</td>
<td>116,251</td>
<td>10,799.98</td>
</tr>
</tbody>
</table>
The property comprises a modern 4 storey purpose built office building which was completed in 2005. The building is of steel framed construction and features a spectacular convex and concave waveform glass façade arranged around a central cylindrical glazed atrium. Internally the atrium provides an impressive, double height reception area with fully tiled floor connecting to a dramatic 4 storey height central core.

The property was extended in 2007 to meet the tenant’s space requirements and comprises a 4 storey extension configured as a double height multipurpose space at ground floor level, with three levels of offices and meeting rooms above. The extension is located to the rear of the property and configured as an additional wing to the building serving as the new main entrance to the building. The extension is of steel framed construction with a combination of aluminium profile cladding and glazed elevations.

The accommodation has been fitted out to a high specification to include:

- Air conditioning
- Full accessed raised floor clear void 150 mm
- Suspended ceiling with LG3 lighting
- Double height feature reception with full height atrium
- Full height floor to ceiling glazing for the whole of the curved elevation
- 3 metre clear floor to ceiling height
- 1.5 metre planning module
- 6 metre structural grid
- Building complies with Part M (Access to and use of buildings) of the Building Regulations

Car parking is provided to the side and rear of the building and provides 470 spaces which equates to a ratio of 1:247 sq ft (1:22.97 sq m).
Tenure

The property is held by the vendor on a long leasehold basis for 125 years (less 6 days) from 29th March 1996 expiring 22nd March 2121 with approximately 110 years unexpired.

The purchaser will however be granted a new sub-underlease for the remainder of the 110 year term, less 1 year (expiring 22nd March 2120) at an annual peppercorn rent.
Tenancy

The property is let to North Tyneside Council for 25 years and 1 day on a ‘Lease Plus Agreement’ from 19th November 2007 and expiring in 19th November 2032.

The total initial income payable by the Tenant was £1,996,459.81 per annum. This increases annually and is currently £2,244,142 per annum.

Under the Lease Plus Agreement, the total income payable is apportioned 68% to the base occupational rental income and 32% for the Facilities Management (FM) Service provision. (The percentage splits are calculated against the total initial lease payment of £1,996,459.81 per annum.)

The 68% base occupational income is subject to fixed annual increases of 2.6% per annum and currently amounts to £1,504,385 per annum. The 32% FM element is subject to annual increases in line with the movement in RPIx.

The rent review formula set out in the Lease Plus Agreement is as follows:

\[ P_n = (P_0 \times \%A \times (1 + FG)^{(n-1)}) + (P_0 \times \%B \times (RPIx_n / RPIx_o)) \]

and \( \%A + \%B = 100\% \)

where

- \( P_n \) = The relevant payment for the nth contract year (total rent)
- \( P_0 \) = The relevant payment in August 2007 prices
- \( \%A \) = 68% (proportion of payment to have fixed growth rate applied)
- \( FG \) = 2.6% (the value of fixed rate of growth)
- \( \%B \) = 32% (proportion of payment to have RPI indexation applied)
- \( RPIx_n \) = The most recently published RPIx for the month preceding the nth contract year (231.7)
- \( RPIx_o \) = The most recently published RPIx as at August 2007 (200.1)
- \( N \) = Relevant contract year (5)

Based on the formula the rental profile is as follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>A Occupational Rental Income. (2.6% pa reviews)</th>
<th>B FM Income (RPI reviewed)*</th>
<th>C Total Lease Plus Income paid by North Tyneside Council C = A + B</th>
<th>D Total Outgoings payable by LL Includes Service Charge Pass Through, Hard FM Cost and Lifecycle Sinking Fund</th>
<th>E Surplus FM Income received by LL E = B – D</th>
<th>F Total Net Receivable Income F = C – D</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>5,104,385</td>
<td>739,758</td>
<td>2,244,142</td>
<td>627,342</td>
<td>112,415</td>
<td>1,616,800</td>
</tr>
<tr>
<td>2012</td>
<td>5,433,499</td>
<td>758,991</td>
<td>2,302,490</td>
<td>643,653</td>
<td>115,338</td>
<td>1,658,837</td>
</tr>
<tr>
<td>2013</td>
<td>5,833,630</td>
<td>778,725</td>
<td>2,362,355</td>
<td>660,388</td>
<td>118,337</td>
<td>1,701,967</td>
</tr>
<tr>
<td>2014</td>
<td>6,248,804</td>
<td>798,972</td>
<td>2,423,776</td>
<td>677,558</td>
<td>121,414</td>
<td>1,746,218</td>
</tr>
<tr>
<td>2015</td>
<td>6,643,049</td>
<td>819,745</td>
<td>2,486,794</td>
<td>695,175</td>
<td>124,570</td>
<td>1,791,619</td>
</tr>
<tr>
<td>2016</td>
<td>7,103,929</td>
<td>841,059</td>
<td>2,551,451</td>
<td>713,250</td>
<td>127,809</td>
<td>1,838,201</td>
</tr>
<tr>
<td>2017</td>
<td>7,548,622</td>
<td>862,926</td>
<td>2,617,789</td>
<td>731,794</td>
<td>131,132</td>
<td>1,885,955</td>
</tr>
<tr>
<td>2018</td>
<td>8,004,899</td>
<td>885,362</td>
<td>2,685,851</td>
<td>750,821</td>
<td>134,542</td>
<td>1,935,031</td>
</tr>
<tr>
<td>2019</td>
<td>8,473,022</td>
<td>908,382</td>
<td>2,755,683</td>
<td>770,342</td>
<td>138,040</td>
<td>1,985,341</td>
</tr>
<tr>
<td>2020</td>
<td>8,953,331</td>
<td>932,000</td>
<td>2,827,331</td>
<td>790,371</td>
<td>141,629</td>
<td>2,036,960</td>
</tr>
<tr>
<td>2021</td>
<td>9,446,110</td>
<td>956,232</td>
<td>2,900,842</td>
<td>810,921</td>
<td>145,311</td>
<td>2,089,921</td>
</tr>
<tr>
<td>2022</td>
<td>9,951,170</td>
<td>981,094</td>
<td>2,976,264</td>
<td>832,004</td>
<td>149,089</td>
<td>2,144,259</td>
</tr>
<tr>
<td>2023</td>
<td>10,470,044</td>
<td>1,006,602</td>
<td>3,053,646</td>
<td>853,637</td>
<td>152,966</td>
<td>2,200,010</td>
</tr>
<tr>
<td>2024</td>
<td>10,994,268</td>
<td>1,032,774</td>
<td>3,133,041</td>
<td>875,831</td>
<td>156,943</td>
<td>2,257,210</td>
</tr>
<tr>
<td>2025</td>
<td>11,548,876</td>
<td>1,059,626</td>
<td>3,214,500</td>
<td>898,603</td>
<td>161,023</td>
<td>2,315,898</td>
</tr>
<tr>
<td>2026</td>
<td>12,109,010</td>
<td>1,087,176</td>
<td>3,298,077</td>
<td>921,966</td>
<td>165,210</td>
<td>2,376,111</td>
</tr>
<tr>
<td>2027</td>
<td>12,668,385</td>
<td>1,115,443</td>
<td>3,383,827</td>
<td>945,938</td>
<td>169,505</td>
<td>2,437,890</td>
</tr>
<tr>
<td>2028</td>
<td>13,227,363</td>
<td>1,144,444</td>
<td>3,471,807</td>
<td>970,532</td>
<td>173,912</td>
<td>2,501,275</td>
</tr>
<tr>
<td>2029</td>
<td>13,787,874</td>
<td>1,174,200</td>
<td>3,562,074</td>
<td>995,766</td>
<td>178,434</td>
<td>2,566,308</td>
</tr>
<tr>
<td>2030</td>
<td>14,349,959</td>
<td>1,204,729</td>
<td>3,654,688</td>
<td>1,021,656</td>
<td>183,073</td>
<td>2,633,032</td>
</tr>
<tr>
<td>2031</td>
<td>14,913,658</td>
<td>1,236,052</td>
<td>3,749,710</td>
<td>1,048,219</td>
<td>187,833</td>
<td>2,701,491</td>
</tr>
</tbody>
</table>

* For the purpose of projecting the FM income within the above table, 2.6% pa has been applied to future reviews where RPIx data is not yet available.
The lease plus agreement dated 29th November 2007 defines the Contract Year as:

‘the period from the Payment Commencement Date to the following 31st March and subsequently each period of 12 calendar months commencing on 1st April, until the final Contract Year which is the period from the 1st April prior to the date of Expiry of the Term to the Expiry of the Term’.

Where: the Payment Commencement Date is 19th November 2007 and: the Expiry of the Term is 18th November 2032.

Therefore, for the purpose of calculating the RPI reviews, the initial base RPIx figure is 200.1, the August 2007 RPIx figure. Thereafter the RPIx figures are taken using the March RPIx figures, being the most recent month preceding the nth contract year.

For the purpose of projecting the FM income within the table, 2.6% pa has been applied to future reviews where the RPIx data is not yet available.

The FM element of the income is used to cover the cost of the FM service currently provided by Grosvenor Facilities Management Ltd, the park service charge and sinking fund provision.

The landlord has recently renegotiated the FM service contract resulting in a surplus receivable by the landlord of circa £112,415 for 2011 rising annually to £187,833 by the expiry of the lease in 2031, based on the current FM contract. The FM contract provided by Grosvenor is reviewed annually in line with RPIx and as such mirrors the FM income profile payable by the tenant.

The new FM service agreement dated 25th March 2011 is made between the Landlord and Grosvenor Facilities Management Ltd (3089465) as Service Provider and Grosvenor House Group plc (01819984) as Guarantor.

More information can be provided upon request.

Grosvenor Facilities Management Ltd (GFM) provide the FM service on behalf of the landlord and in compliance with the Lease Plus Agreement.

RPIx figures:

<table>
<thead>
<tr>
<th>RPIx</th>
<th>Yr</th>
<th>Date</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPIx o – Yr 1</td>
<td>08/2007</td>
<td>200.1</td>
<td></td>
</tr>
<tr>
<td>RPIx n – Yr 2</td>
<td>03/2008</td>
<td>205.3</td>
<td></td>
</tr>
<tr>
<td>RPIx n – Yr 3</td>
<td>03/2009</td>
<td>209.9</td>
<td></td>
</tr>
<tr>
<td>RPIx n – Yr 4</td>
<td>03/2010</td>
<td>222.0</td>
<td></td>
</tr>
<tr>
<td>RPIx n – Yr 5</td>
<td>03/2011</td>
<td>231.7</td>
<td></td>
</tr>
</tbody>
</table>

All landlord FM obligations set out within the Lease Plus Agreement are passed through to GFM. GFM have an Experian Delphi score of 80 indicating a below average risk of failure.

Grosvenor House Group plc is a privately owned company established in 1984. It has 3 main offices with 14 operational facilities across the UK, employs circa 250 staff across the group, has delivered over £200m of PFI projects, £300m of structured finance solutions and has a portfolio of International Private Equity Investments. The main focus for the company is the healthcare and residential accommodation sectors.

**Tenant Information**

North Tyneside Council is the local authority for the Metropolitan Borough of North Tyneside. Within its bounds are the towns of Wallsend, North Shields and Whitley Bay which form a contiguously built-up area with Newcastle. The borough comprises 20,372 acres in the North-East of England with 196,246 residents. For the year 2009/10 the council’s income was £276,717m and had over £1.137bn fixed assets. The council advises on a number of areas including benefits and council tax, building control and planning, business, employment and regeneration, schools and families, community and living, culture and tourism, environment waste and recycling and housing.

More information can be found at www.northtyneside.gov.uk

**Capital Allowances**

We understand that there are no transferable capital allowances available.

**Plant & Machinery**

None of the systems or equipment have been tested by Cushman & Wakefield and purchasers may wish to make their own investigations to check that they are in working order.

**VAT**

The sale cannot be treated as a Transfer of a Going Concern (TOGC) as a new interest is being created. Therefore VAT will be charged on the purchase price.

Purchaser costs are increased to reflect SDLT payable on the VAT element on the purchase price. Therefore normal purchaser’s costs are increased from 5.8% to 6.3%.
Proposal

We are instructed to seek offers in excess of £23,590,000 (Twenty Three Million, Five Hundred and Ninety Thousand Pounds) subject to contract and exclusive of VAT for a new long leasehold interest. A purchase at this level would reflect a net initial yield of 6.00% after allowing for purchaser’s costs of 6.3% when calculated against the occupational rental income of £1,504,385. A purchase at this price would reflect a reversionary yield in year 15 of 7.767% and an ultimate reversionary yield in 2031 of 10.03%.

Further Information

For further information on this opportunity, please contact either:

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E-mail: adam.mcmillan@eur.cushwake.com

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Fax: 020 7152 5190
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Cushman & Wakefield
43-45 Portman Square
London
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www.cushmanwakefield.com

June 2011

The Energy Performance Certificate for this building is available to download from the Property Website.

www.cushmanwakefieldinvestmentsales.co.uk/cw/cobalt-newcastle

MISREPRESENTATION ACT 1967 and PROPERTY MISDESCRIPTIONS ACT 1991

Cushman & Wakefield LLP (and their joint agents if appointed) for themselves and for vendors or lessors of this property whose agents they are, give notice that: (1) The particulars are produced in good faith, are set out as a general guide only and do not constitute any part of a contract. (2) No person in the employment of the agent(s) has any authority to make or give any representation or warranty whatever in relation to this property. (3) This property is offered subject to contract and, unless otherwise stated, all rents are quoted exclusive of VAT. (4) Nothing in these particulars should be deemed to be a statement that the property is in good condition or that any services or facilities are in working order. (5) Unless otherwise stated, no investigations have been made regarding pollution or potential land, air or water contamination. Interested parties are advised to carry out their own investigations if required.