MANORVIEW HOUSE
Kings Manor, Newcastle upon Tyne, NE1 6PA

SINGLE LET OFFICE INVESTMENT
WITH VALUABLE STUDENT REDEVELOPMENT POTENTIAL
Investment Summary

• **Single let office investment with significant redevelopment potential,** occupying a central location adjacent to Northumbria University campus and in close proximity to Newcastle city centre.

• **18,307 sq ft of flexible, modern office accommodation** across three floors with 35 car parking spaces.

• Let to the undoubted covenant of **The Secretary of State for Communities and Local Government** for a term of 2 years from 31 March 2018 (1.5 years unexpired).

• Passing rent of **£302,000** per annum reflecting a low passing rent of only £14.65 psf.

• **Outline planning consent for new student accommodation scheme** of approximately 250 units / c. 70,000 sq ft, significantly intensifying the use of the site.

• We are instructed to seek offers in excess of **£2.837 million** to reflect a net initial yield of 10% after deducting purchasers costs of 6.43%.

Four minutes walk to Northumbria University
Newcastle upon Tyne is the commercial and administrative capital of the North East, with a population of approximately 280,000 people (census 2011) and forms part of the wider Tyneside conurbation with a total population in the region of 1.1 million, making it the seventh largest in the UK. Located approximately 286 miles north of London and 105 miles south of Edinburgh, the city is well connected to the wider rail network with the A1 approximately 2 miles to the west and the A197(M) running past the site.

The city is well served by public transport, the Newcastle Central Station is an established station on the East Coast Mainline, with connections to London’s Kings Cross in 2 hours 40 minutes and Edinburgh in 1 hour 30 minutes. Newcastle Central Station is also a main interchange with the Tyne & Wear Metro, the rail network which runs throughout Tyneside with 60 stations extending as far as Newcastle Airport, 6 miles to the north-west and Sunderland to the south-east. Newcastle International Airport provides daily scheduled flights to both domestic and international locations.

Newcastle upon Tyne is home to two leading universities. Newcastle and Northumbria Universities attract in excess of 55,000 students from both the UK and 136 countries worldwide. Newcastle University is a member of the Russell Group, comprising the leading 24 universities in the country.

Newcastle’s universities attract in excess of 55,000 students yearly
Situation

Manorview House is situated on Kings Manor Business Park to the east of the city core and only 500m from the city’s retail core. The property is directly opposite Northumbria University’s £70 million business, law and design schools which is the eastern gateway to the main city campus and less than a five minute walk from the subject property. Manors Metro station which is situated on site and the A167 central motorway give the location unparalleled accessibility.

Two of the five buildings on the park are being converted to student use. The adjacent Clough House has been converted to a six storey, 272 unit block of student accommodation for established operator, IQ Student and will open its doors September 2018. Uptake of rooms has been strong in line with its prime location, with the few remaining ensuite rooms priced at £123-£155 per week and studios at £145-£165 per week.

The former Newcastle Technopole, also adjacent to the subject property, is being redeveloped by IQ to create 535 bed spaces to be delivered in 2020.

Other office occupiers on the park include The Labour Party and the DVSA.
Description
Manorview comprises a good quality modern building of steel frame construction with brick cladding under a pitched slate roof built c.1992. Access is via a triple height atrium with excellent natural lighting.

The property provides good quality flexible open space across three storeys, with the ground floor being used as tribunal rooms and the upper floors used as a mixture of open plan and cellular office space. Facilities include:

- An eight person passenger lift which has been recently refurbished
- Toilet and kitchenette facilities on each floor
- Double glazing
- Raised floors
- Gas fired central heating
- 35 car parking spaces to the front - an excellent ratio of 1:523 sq. ft.

Accommodation

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<tr>
<th></th>
<th>NIA (sq m)</th>
<th>NIA (sq ft)</th>
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<tbody>
<tr>
<td>Ground Floor Reception</td>
<td>19.5</td>
<td>210</td>
</tr>
<tr>
<td>Ground Floor</td>
<td>560.3</td>
<td>6,031</td>
</tr>
<tr>
<td>First Floor</td>
<td>560.8</td>
<td>6,036</td>
</tr>
<tr>
<td>Second Floor</td>
<td>560.2</td>
<td>6,030</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,700.8</strong></td>
<td><strong>18,307</strong></td>
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EPC
D82.

35 car parking spaces to the front
Tenancy
The property is let to the Secretary of State for Communities and Local Government for a term of 2 years expiring on 31 March 2020 at a passing rent of £302,000 on FRI terms.

Tenure
The property is held on a long leasehold for a term 999 years, from 1 May 2016 from the Central Business and Technology Park Management Company at a peppercorn rent without review. Permitted Uses include Class B1, C1-C4, multi let residential accommodation and student accommodation.

Central Business and Technology Park Management Company
There are five buildings on the park, each of the long leaseholders has one share representing a 20% stake in the Central Business and Technology Park Management Company Ltd, which owns the wider freehold. Any purchaser will be transferred the vendor's share.

The air rights above Manors Metro Station are also under the ownership of the Management Company and there may be valuable development potential to be realised here.

Planning
The property has the benefit of outline planning consent for a student accommodation development of up to 8 or 9 storeys, granted on 9 November 2016. A full scheme has not been designed however the approved massing would provide a GIA of c.70,000 sq ft and in the order of 250 units.

A S106 Agreement was put in place in November 2016. The developer is to make highways contribution of £232 per bed space and a £258 per bed space open space contribution subject to RPI uplifts from November 2016 to payment. The payments are ring fenced for improvements to the pedestrian access bridge over the A167 (M).

The outline consent was granted before the CIL obligations came into place, relieving the developer of that obligation, so long as the application is implemented and to do so the reserved matters will need to be submitted by November 2019.

All planning documents can be found in the data room or under planning reference 2016/0484/01/OUT.
Student Market Commentary

The Newcastle student market has developed rapidly in the past 10 years with previously dominant areas such as Heaton and Jesmond no longer being as popular, due to the rise in purpose built student accommodation.

Key drivers for demand include location and in particular proximity to the universities and the city centre, with second generation purpose built schemes now operating at a discount as more modern better located schemes come to market. The Newcastle direct let market is extensive and schemes can vary significantly in scale. Cushman & Wakefield research shows that Newcastle has a student to bed ratio of 1.8:1 private sector accommodation experiencing rental growth of 1% in 2016-2017 to provide an average rent of £138 for private sector rooms.

Studio prices vary widely dependent on specification and location. Cushman & Wakefield research shows that studio pricing has moved in line with UK average increasing from circa £140 average weekly rent in 2013/14 to circa £168 for 2017/18. The studio rental profile in Newcastle is broad with 70% of all studios priced above £150 per week. Ensuite prices similarly vary due to the provision of budget and premium options in the city centre whilst the cheapest ensuite price is circa £100 per week. Schemes such as Vita Strawberry Place and Plummer House position themselves at the premium end of the market and command prices in excess of £190 per week.

For the 2016/2017 academic year both universities had a combined total of over 8,000 international students.

Office Market Commentary

Newcastle upon Tyne has a total office stock of around 9.9 million sq ft which caters for a broad range of public and private occupiers in line with the city’s status as the regional capital of the North East.

The city centre’s supply of new office space has been highly restricted, with only 161,000 sq ft of Grade A stock remaining available. There will be no new Grade A space delivered until the development of the Lumen at the Newcastle Helix, which is expected to complete in Q4 2019.

Take up across the city has been suppressed by the lack of availability in the market. The last new space delivered in the city were two buildings in 2016, and such is the pent up demand that both were let in their entirety within 6 months of completion. Prime headline rents for Grade A accommodation in Newcastle are £24.00 per sq ft and trending upwards. Typical Grade B rents range widely from circa £15 per sq ft to £18.50 per sq ft depending on quality, specification and location. Both Grade A and B rents are seeing steady rental growth.

Smaller transactions drove leasing activity in H1 2018, with all but one transaction involving floorplates less than 10,000 sq ft. The floorplates and layout of Manorview House ideally place it to capitalise on this demand in order to transform the offices into Grade A multi let or co-working space.
Proposal

We are instructed to seek offers in excess of £2.837 million. A purchase at this price reflects a net initial yield of 10% after deducting purchaser’s costs of 6.43% and reflects a capital value of £154 per sq ft.