

# 42-50 GREY STREET

Newcastle upon Tyne NE1 5JE

TROPHY GREY STREET  
INVESTMENT / DEVELOPMENT  
OPPORTUNITY



# Investment Summary

- **A rare refurbishment / redevelopment opportunity on Newcastle's historic Grey Street**
- Situated at the heart of Newcastle's traditional office core, immediately to the south of the retail core and forming part of the city's prime leisure pitch
- Previously redeveloped behind the imposing Georgian façade the property offers flexible modern open plan floorplates
- **Grade II listed** and therefore benefits from nil rates payable on vacant accommodation
- Ground floor and basement let to **Azzurri Restaurants Limited (t/a Zizzi)** expiring on 6th June 2026 providing approximately **8.3 years remaining** at an annual rent of **£180,300**
- Freehold
- Suitable for a variety of uses subject to planning
- We have been instructed to seek offers in excess of **£3,750,000** for our client's freehold interest. A purchase at this level reflects a **capital value per sq ft of £205**

*Situated at the heart of Newcastle's traditional office core*



# Newcastle upon Tyne

Newcastle upon Tyne is the commercial and administrative capital of the North East with a population of approximately 280,000 people (census 2011) extending to a total of 1.1 million people across the wider Tyneside Conurbation, making it the 7th largest in the UK.

The city's economy has in the region of 7,000 registered businesses across learning, digital technology, retail, tourism and cultural sectors, contributing £13 billion towards the United Kingdom's GDP.

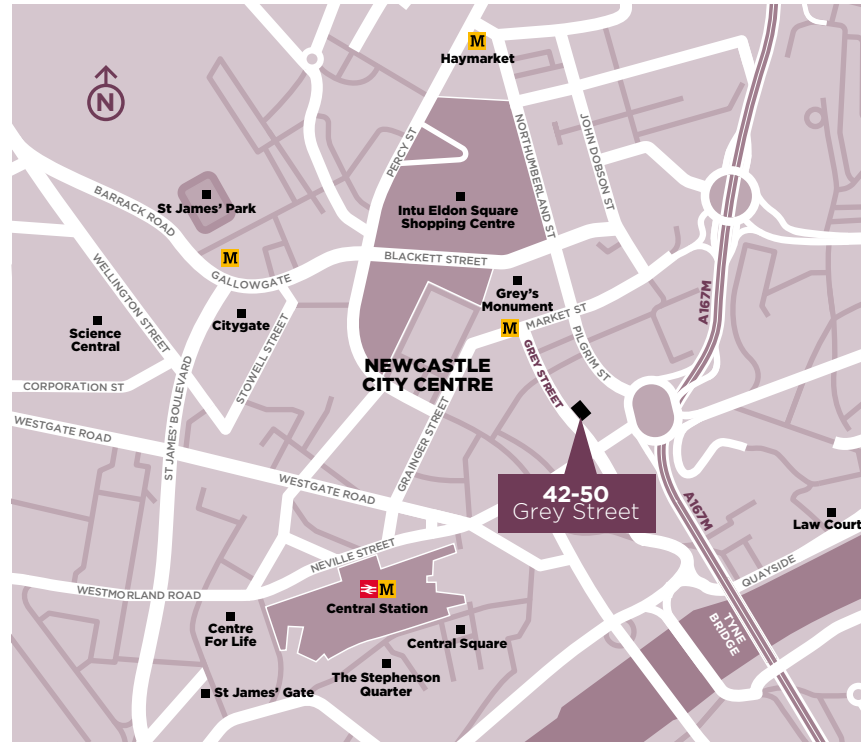
Newcastle is the largest retailing, leisure and office centre in the North East and has an international draw as a business, education and tourism centre. Major occupiers in the city include Sage Group, NPower, Barclays Bank, BSkyB and Proctor & Gamble. The city is also a major public sector hub, not just for local and regional government, but also for national operations, most notably the Department for Work and Pensions and HM Revenue & Customs.

The city is home to two leading universities, Newcastle and Northumbria which attract in excess of 55,000 students from both the UK and 136 countries abroad. Newcastle University is a member of the prestigious Russell Group comprising the leading 24 universities in the country.

Newcastle has an extensive primary catchment shopping population of 1.5 million people, and an extensive leisure and entertainment market, which has seen over 75 new bars and restaurants open in the last 3 years alone, attracting over 2 million leisure visitors per annum.



# Transport



Located approximately 286 miles north of London and 105 miles south of Edinburgh, the city is well connected to the wider road network with the A1 approximately 2 miles south west and the A19, 7 miles to the east. Grey Street is well positioned within the city, with almost immediate access to the A167 Central Motorway connecting the city centre to the main arterial routes both north and south.

Newcastle Central Station is a major transport hub and key stop on the East Coast railway line. The city has direct services to London Kings Cross and Edinburgh with journey times of less than 2 hours and 40 minutes and 1 hour 30 minutes respectively.

Newcastle Central is also the main interchange for the Tyne & Wear Metro, the rail network which runs throughout Tyneside. The network supports 60 stations throughout Tyne and Wear extending as far as Newcastle Airport, 6 miles to the north west and Sunderland to the south east and is the second largest light rail system in the UK, behind the London Underground. Monument Station is situated to the top of Grey Street and is the closest Metro Station to the subject property.

Newcastle International Airport is situated 7 miles to the north west of the city centre and serves in excess of 4.46 million passengers annually to 74 direct destinations globally. Flights are provided via 13 scheduled airlines, including Air France, British Airways, Flybe, Easyjet and Emirates. Newcastle International Airport is one of the leading regional airports and benefits from regular flights to London with a flight time of less than one hour.



*Newcastle Central Station is a major transport hub and key stop on the East Coast railway line*

# Grey Street

With its grand and imposing Georgian architecture Grey Street is widely regarded as one of the finest streets in Europe.

Forming part of the wider Grainger Town conservation area the street has long been viewed as the focal point of Newcastle's traditional office core. With a movement in demand away from cellular office accommodation many buildings, including 42-50 Grey Street, have undergone a redevelopment behind the existing façade to provide modern flexible office accommodation. Grey Street remains very popular with occupiers attracted by the wide range of amenities on offer along with excellent transport links and connections.

Grey Street has evolved over recent years to become the prime upmarket leisure and dining scene for Newcastle upon Tyne. Home to the iconic Theatre Royal, the street links the Quayside to the south, with the 'Diamond Strip' to the west. The street is home to many popular restaurants and bars including national multiples such as Las Iguanas, Browns, Carluccios, Café Rouge and The Living Room along with local and regional occupiers such as Bar Luga, Decantus and Fitzgeralds.

- 1 42-50 Grey Street
- 2 Grey Street
- 3 Tyne Bridge
- 4 Hilton Hotel
- 5 Copthorne Hotel
- 6 Central Square South
- 7 Central Square

- 8 Stephenson Quarter - The Rocket/Crowne Plaza
- 9 Central Station
- 10 Newcastle Science Central Development
- 11 Citygate
- 12 St James' Park
- 13 Wellbar Central

- 14 intu Eldon Square
- 15 Northumberland Street
- 16 Newcastle University
- 17 Newcastle Civic Centre
- 18 Northumbria University
- 19 Central Motorway
- 20 Trinity Gardens
- 21 Law Courts

- 22 Millennium Bridge
- 23 Mal Maison
- 24 Pitcher & Piano
- 25 Quayside
- 26 Baltic Place
- 27 Baltic Centre for Contemporary Art
- 28 The Sage Music Centre



# Description

42-50 Grey Street comprises a five-storey mixed use building set over basement, ground, mezzanine and three upper floors constructed in the late 1860's and extending to 18,312 sq ft. The property was significantly redeveloped behind the existing sandstone façade in 1969 and now benefits from Grade II listed status.

At ground and basement level, the property comprises two separate restaurant units, each with individual access off Grey Street and also rear access to the service area yard, via a separate service corridor running along the southern extent of the building.

At first, second and third floor level, 42-50 Grey Street comprises three open plan office suites accessed via Grey Street into the ground floor reception and dedicated office core with both lift and stair provision. In addition there is a secondary stair access and fire escape at the southern extent of the building.



*A five-storey mixed use building set over basement, ground, mezzanine and three upper floors*



# Description





**First Floor Level**



**Second Floor Level**



**Third Floor Level**

# Asset Management Potential

- Refurbish the existing office accommodation and common parts to bring in line with current occupier requirements and significantly reposition the rental tone for the building.
- Reconfigure accommodation to include WC and potentially shower facilities to each floor.
- Progress with residential conversion, further to the planning permission which was granted in September 2017 (Ref. 2017/0446/01/LBC).
- Investigate surrender and re-letting of the basement restaurant as part of potential lease regear discussions with Azzurri Restaurants Limited.
- Complete ongoing rent review relating to the ground floor and basement restaurants.
- Investigate medium term leisure reconfiguration potential including consolidating kitchen, function room and ancillary provision into basement accommodation to maximise efficiency of the space and increase occupier appeal.
- Investigate other alternative use potential including, aparthotel, boutique hotel, or student accommodation.

# Accommodation

The property provides the following accommodation:

Accommodation	Sq M	Sq Ft
Basement	398.83	4,293
Ground Floor - Mezzanine	171.87	1,850
Ground Floor	255.48	2,750
First Floor	310.97	3,347
Second Floor	261.09	2,810
Third Floor	303.01	3,262
<b>Total</b>	<b>1,701.25</b>	<b>18,312</b>

\*Office areas are stated on an NIA basis whereas the basement, ground and mezzanine are included on a GIA basis





## Tenancy

The ground floor, mezzanine and basement accommodation is let to Azzurri Restaurants Limited t/a Zizzi on a 25 year lease expiring 6th June 2026 at an annual rent of £180,300 and subject to 5 yearly upward only rent reviews to "Open Market Rent". The 2016 rent review has been triggered and discussions are ongoing. The tenant sublet the basement accommodation to La Tasca Restaurants Limited who are no longer in occupation.

The 1st, 2nd and 3rd floors are vacant.

## Service Charge

The property is managed and operated under a service charge which is divided into two schedules.

Schedule 1 relates to the whole building and recovers costs for building and M&E maintenance, running costs, cleaning, servicing and insurance whereas Schedule 2 relates to the office accommodation only and covers lift maintenance and repairs and additional external building repairs. For the service charge year 2017 / 2018 the total budget is £36,330, of which £30,330 is apportioned to Schedule 1, and £6,000 apportioned to Schedule 2.

Full service charge information is available upon request.

## Tenure

The property is held Freehold.



# Tenant's Covenant Strength

## Azzurri Restaurants Limited

(Formerly Ask Restaurants Limited)

Company Number: 02792998

The Azzurri Group is a market leader in the Italian and casual dining sector operating as ASK Italian, Zizzi and Coco di Mama. Azzurri Group employ over 6,000 people serving in excess of 15 million meals a year from their 250 shops and restaurants throughout the UK.

	26/06/2016	28/06/2015	29/06/2014
Turnover	£226,636,000	£217,670,000	£204,305,000
Pre-Tax Profit	£17,627,000	£17,095,000	£30,436,000
Net Assets	£60,446,000	£45,330,000	£156,348,000

**COCO**  
DI MAMA

**ASK**  
ITALIAN



# Market Commentary

*Sub 4,000 sq ft floorplates have accounted for 70% of all office take-up since 2011*

## Newcastle Office Market

Newcastle upon Tyne has a total office stock of around 9.9 million sq ft which caters for a broad range of private and public sector occupiers in line with the city's status as the regional capital of the North East. The city's supply of new office space has been highly restricted with Newcastle city centre now having in the region of 161,268 sq ft of Grade A stock remaining. Despite no new buildings coming to the market, 2017 did see two refurbished Grade A buildings deliver 56,300 sq ft of available space at Central Square South and Earl Grey House. Both buildings were well received by the market securing 5 lettings so far in what has been a relatively short marketing period.

Take-up across the city has been suppressed by the lack of suitable available office stock in the market. The last new space delivered was in 2016 when The Rocket and Live Works both let in their entirety within 3 and 6 months of completion. Typically take-up and the volume of demand has focused on small to mid range floorplates, with some 70% of all transactions since 2011 being sub 4,000 sq ft. 42-50 Grey Street's floorplates are therefore ideally positioned to take advantage of demand.

Prime headline rents for Grade A accommodation in Newcastle are £23 per sq ft and are trending upwards. Typical Grade B rents range widely from circa £12 per sq ft to £17.50 per sq ft depending on quality, specification and location. Grey Street itself has seen a steady increase in headline rental tone and rents now range up to £21.50 per sq ft, which was achieved at Earl Grey House in 2017.

*Newcastle city centre has seen 75 new bars and restaurants open in the last 3 years alone*

## Licensed and Leisure

Newcastle is home to numerous leading sports, music, science and arts events supported by an extensive array venues around the city such as St James' Park, The Metro Radio Arena, The Sage, The Baltic Centre for Contemporary Arts and The Centre for Life.

The city centre has experienced strong inward investment within the licence and leisure sector, with over 75 new bars and restaurants opening in the last 3 years alone. Notably the completion of Intu's £25 million Greys Quarter saw 21 new occupiers open in the city centre such as the Alchemist and Chaophraya.

Prime leisure and restaurant rents in Newcastle currently stand at £50 per sq ft, a level only recently achieved at Greys Quarter. Grey Street commands the second highest rental tone, ranging between £40 per sq ft at the northern end, down to £30 per sq ft at the southern end.



*Very strong demand for hotel rooms with an occupancy rate consistently above the UK average*

## Hospitality

Being both the commercial and administrative capital of the North East, a major centre for education and science and an internationally renowned destination for leisure and nightlife, Newcastle attracts over 2 million tourists a year. Consequently, the city benefits from a strong demand for hotel rooms with an occupancy rate consistently above the UK average and currently standing at 76.8% across the city's 23 hotels. This despite several new entrants to the market in 2015 and 2016 adding 828 rooms, thereby demonstrating the robust and growing demand base. Of the 23 existing hotels (3,794 rooms) and the 5 hotels (732 rooms) in pipeline all but 3 are nationally or internationally branded pointing towards a lack of independent or boutique accommodation. The city's average RevPAR stands at £49.00 per day (2016) with room rental levels in the city centre typically ranging from £4,300 per annum for budget offerings up to £10,800 per annum for luxury accommodation.

## EPC

The property has the following EPC ratings:

Basement & Ground Floor Restaurants	C72
First Floor Offices	D83
Second Floor Offices	D94
Third Floor	E112

Further information is available upon request.

## VAT

The property has been elected for VAT and therefore VAT will be payable on the purchase price. It is envisaged the sale will be treated as a transfer of a going concern (TOGC).



## Proposal

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Particulars prepared February 2018.



**42-50 Grey Street** | Newcastle upon Tyne  
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