

# Exchange Buildings

## Prime Leisure Investment

Quayside  
Newcastle upon Tyne  
**NE1 3AE**



# Investment Summary

- Landmark building in prime position on Newcastle's Quayside
- Established leisure offering on one of the city's prime pitches
- Fully let to very strong covenants with a WAULT of **16.1 years**
- Vibrant leisure sector seeing strong growth
- Low base rents
- Genuine asset management opportunities to regear leases and increase rent
- Offers over **£4.2m** reflecting a net initial yield of **6.48%** after purchaser's costs of 6.55%



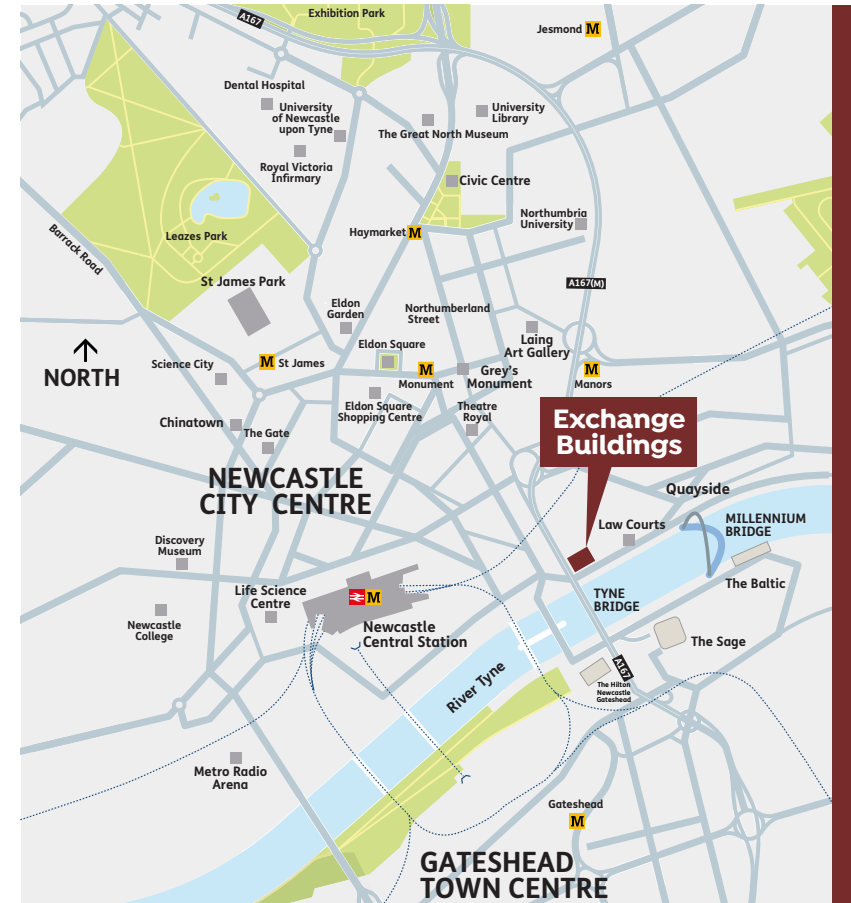
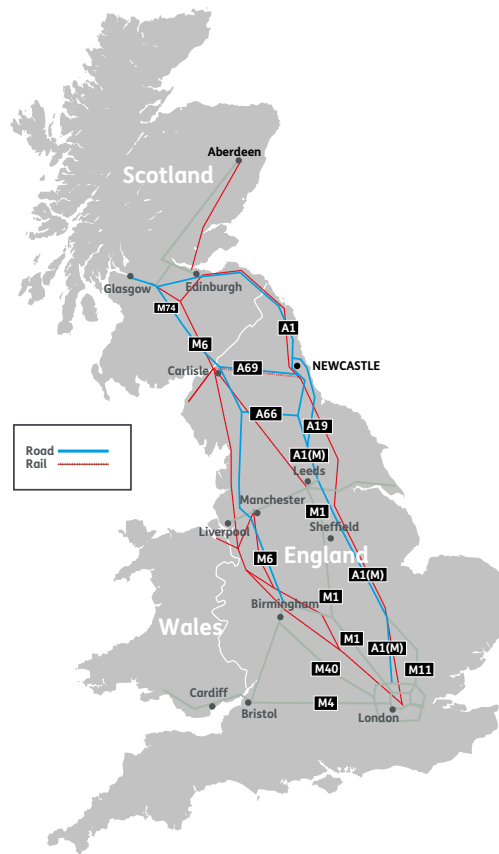
# Location

Newcastle 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 1.1m people, 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 road network with the A1(M) approximately 2 miles to the west of the city centre and the A19 7 miles to the east.

The city is very well served by public transport with Newcastle Central Station, a principal destination on the east coast mainline, offering connections to London Kings Cross in 2 hours 40 minutes and Edinburgh in 1 hour 30 minutes. The Tyne & Wear Metro system runs throughout Tyneside and the network has 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 is home to two leading universities which attract in excess of 55,000 students. Newcastle University is a member of the Russell Group comprising the leading 24 universities in the country.

The city benefits from extensive city centre retail provision centered around Northumberland Street and Eldon Square shopping centre, with the MetroCentre, one of Europe's largest out of town shopping centres also nearby. The city centre has approximately 2.2m sq ft of retail space and is ranked sixth out of the top 100 PROMIS centres in both spending available and the number of retailers.



## Situation

The property is prominently located on Newcastle Quayside fronting the River Tyne. The surrounding area has witnessed comprehensive regeneration over the last 30 years through refurbishment of the existing historic, urban fabric and new mixed use developments such as East Quayside and Trinity Gardens.

The Millennium Bridge is situated close to the property providing pedestrian access across the River Tyne to the Baltic Arts Centre and Sage Regional Music Centre.

As well as being a tourist hot spot the Quayside is also one of the city's key office pitches with occupiers such as Aecom, RBS, Bond Dickinson, St James Place, Ward Hadaway, Barclays and the Central Law Courts, all within a very short distance.

# Situation

Exchange Buildings Quayside, Newcastle upon Tyne NE1 3AE



perdu

THE VERMONT HOTEL



LIVELLO



Café 21

PICCOLINO ristorante e bar

Malmaison

PITCHER & PIANO

SCIENCE CITY

ST JAMES' PARK

NEWCASTLE UNIVERSITY

NORTHUMBRIA UNIVERSITY

INTU ELDON SQUARE

NORTHUMBERLAND STREET

GREY STREET

CENTRAL STATION

TYNE BRIDGE

LAW COURTS

Exchange Buildings

SAGE

Copthorne



Coming 2018



Hilton HOTELS & RESORTS



AVEIKA



live theatre

Vivo CAFE

# Licensed and Leisure Market

Newcastle upon Tyne (voted “best city in the UK 2014” by readers of the Guardian) has one of the UK’s most buoyant and vibrant leisure scenes.

The city centre has experienced strong investment with 24 new bars and restaurants opening in the last 18 months providing a renowned leisure offering with a wide range of theatres, restaurants, clubs and bars across the city. New sites have been occupied by a variety of national and local operators including Miller and Carter, The Botanist, Sky Lounge, Aveika and Crowne Plaza.

As well as significant local demand, Newcastle’s leisure market is boosted by the 2 million tourists that visit the city every year and the 55,000 students that are spread across the city’s two universities. As a result investment into the leisure market continues with the £25 million Grey’s Quarter development in Intu’s Eldon Square opening in late 2016. The food quarter redevelopment will provide the city centre with 21 new leisure operators including Smashburger, Giraffe and Bella Italia as well as luxury operators such as The Alchemist and Chaophraya.

Newcastle’s nightclub market centres around the “Diamond Strip” on Collingwood Street with popular nightclubs such as Perdu, House of Smith, Revolution and Tup Tup Palace resulting in the area being popular with students and locals.

The Quayside has long been a key leisure destination capitalising on the riverfront and iconic bridgescape. In recent years the Quayside has evolved into a more mature mid to upper market offer, supported by hotels such as the Malmaison, Hotel du Vin and Hilton, the cultural offering of the Regional Music Centre and Baltic Centre for Contemporary Art and high quality dining, including the Michelin starred House of Tides run by Kenny Atkinson and Caffé Vivo, 21 and The Broad Chare all run by local food hero Terry Laybourne.

Investment continues to pour into the Quayside with the new Liveworks office and arts development being fully let upon completion to technology firm Zerolight. 2018 will see the opening of a new 120-bedroom Travelodge hotel on the Quayside further cementing it as the city’s hub for the tourism and leisure industry.



# Description

Exchange Buildings is Grade II listed and was built in 1866 of ashlar sandstone construction and presents an imposing building in a landmark position on Newcastle Quayside. The upper floors provide a 152 bed Premier Inn hotel with 32 car parking spaces at basement level whilst the ground floor provides the hotel reception and two bars which are the subject of this transaction.

The Slug & Lettuce occupies the front section of the property and has fantastic views over the river, with ancillary storage and kitchen facilities in the basement. The bar area is shortly to be the subject of a substantial refurbishment.

Bar 38 fronts Queen Street, a key pitch in the central Quayside leisure offering which is home to a number of restaurants and the Bridge Tavern and micro brewery. The unit provides a large flexible ground floor floorplate which has been fitted out to provide ancillary kitchen, cellar and staff areas. The tenant is currently not in occupation and have told us they are shortly to be marketing the space by way of a sub-let.

## Tenure

A new 175 year headlease is to be granted upon completion at a peppercorn rent without review.



# Tenancies

Tenant	Lease	Unexpired Term	Rent (Per Annum)	Areas sq ft (sq m)	Review	Comments
Stonegate Pump Company Ltd t/a Slug & Lettuce	25 years from 29.03.2000 plus reversionary lease expiring 28.03.2030	13.5 years	£110,000	GF: 4,510 sq ft (419 sq m) Bsmt: 2,365 sq ft (220 sq m) Total: 6,875 sq ft (639 sq m)	09.03.2000 and 5 yearly thereafter to open market value	Tenant interested in extending the lease to 25 years unexpired term
Spirit Group Retail Ltd on assignment from Scottish & Newcastle Ltd	35 years from 01.08.1999 to 31.07.2034	17.75 years	£180,000	GF: 9,636 sq ft (895 sq m)	07.01.2016 and 5 yearly thereafter to open market value	Tenant not in occupation
<b>Total</b>			<b>£290,000</b>			



# Covenant Status

## Spirit Group Retail Ltd

(CRN 03794854)

Spirit Group Retail is a subsidiary of Spirit Pub Company whose brands include Chef & Brewer, Fayre and Square and John Barras. Spirit has an estate of over 750 managed and 450 leased pubs. In 2015 Spirit was acquired by Greene King, a leading pub operator and brewer running over 3,100 pubs, restaurants and hotels in towns, villages and city centre high streets across the UK.

Year Ending	22.08.2015	22.08.2014	17.08.2013
Turnover	-	-	-
Pre-Tax Profit	-	-	-
Shareholders Fund	£923.5m	£935.1m	£964.5m

## Scottish & Newcastle Ltd

(CRN SCO16288)

Scottish and Newcastle was a brewery company that can trace its roots back to 1749; in 2008 it was bought by Heineken and incorporated into the UK business, rebranding as Heineken UK Ltd. Heineken is now the UK's leading cider and beer producer with 2,000 employees across 8 sites in the UK and recognisable brands such as Strongbow, Foster's and Bulmers.

Year Ending	31.12.2015	31.12.2014	31.12.2013
Turnover	-	-	-
Pre-Tax Profit	£74m	£63.4m	£63.5m
Shareholders Fund	£2,927m	£3,188.6m	£3,125.2m

## Stonegate Pub Company Ltd

(CRN FC029833)

Stonegate is a leading hospitality company with over 660 bars and pubs across the UK, it counts Slug and Lettuce and Yates amongst its brands as well as running a number of unbranded pubs. The company was formed by private equity firm TDR Capital and has grown to be the fourth largest pub operator in the UK.

Year Ending	31.12.2015	31.12.2014	31.12.2013
Turnover	£561.6m	£557.7m	£470.3m
Pre-Tax Profit	£4.2m	(£7,1m)	(£2.3m)
Shareholders Fund	£99.7m	£99.4m	£170,2m



# Asset Management Initiatives

Whilst offering extremely well secured long term income there are opportunities for a purchaser to further enhance returns through the following:

**Stonegate Pub Company** are investing a significant sum in a refurbishment of the bar area and have indicated that they would be willing to take a significant lease extension on top of the 13.5 year unexpired term to around 25 years in return for a rent free period.

**Spirit Group** are not in occupation of Bar 38 and are expecting to instruct agents to sub-let the property. They would be interested in a surrender and given the unit's core location there would be the opportunity for a landlord to take the unit back, sub-divide and re-let at a higher rent.

## EPC

The property is listed and hence it is exempt from the EPC regulations.

## VAT

The property has been elected for VAT and therefore VAT will be payable on the purchase price unless the sale qualifies under the TOGC regulations.

## Proposal

We are instructed to seek offers in excess of **£4.2m** which would show a net initial yield of **6.48%** after allowing for purchasers cost of 6.55%.



# Exchange Buildings

Quayside, Newcastle upon Tyne NE1 3AE



## For further information

For further information please contact:

**Richard Turner**

Tel: 0191 223 5720

[richard.turner@cushwake.com](mailto:richard.turner@cushwake.com)

**Gagan Jagpal**

Tel: 0191 223 5709

[gagan.jagpal@cushwake.com](mailto:gagan.jagpal@cushwake.com)

**Peter Atkinson**

Tel: 0191 223 5715

[peter.atkinson@cushwake.com](mailto:peter.atkinson@cushwake.com)



DTZ Debenham Tie Leung Limited (the "Agents") give notice to anyone who may read these particulars as follows: 1. These particulars are prepared for the guidance only of prospective purchasers. They are intended to give a fair overall description of the property only and do not constitute any part of an offer or contract. 2. Any information contained in these particulars (whether in the text, plans or photographs) is given in good faith but should not be relied upon as being a statement or representation of fact or that the property is in good condition or otherwise nor that any services or facilities are in good working order. 3. The photographs appearing in these particulars show only certain parts and aspects of the property at the time when the photographs were taken. Certain aspects may have changed since the photographs were taken and it should not be assumed that the property remains precisely as displayed in the photographs. Furthermore no assumptions should be made in respect of parts of the property which are not shown in the photographs. Any areas, measurements or distances referred to herein are approximate only. 4. Where there is reference in these particulars to the fact that alterations have been carried out or that a particular use is made of any part of the property this is not intended to be a statement that any necessary planning, building regulations or other consents have been obtained and these matters must be verified by any intending purchaser. 5. No person in the employment of the Agents has any authority to make or give any representation or warranty whatsoever in relation to this property. 6. This property is offered subject to contract and unless otherwise stated all rents are quoted exclusive of VAT. 7. Unless otherwise stated, no investigations have been made by or on behalf of the Agents regarding pollution, or potential land, air or water contamination. Interested parties are advised to carry out their own investigations as required. October 2016