

FALCON COURT



PRIME HIGH YIELDING OFFICE INVESTMENT

UNITS 15-19 FALCON COURT / PRESTON FARM BUSINESS PARK / STOCKTON-ON-TEES / TS18 3TS



EXECUTIVE SUMMARY

- Five Grade A office buildings totalling 51,725 sq ft (4,805.4 sq. m.);
- Located on Falcon Court on Preston Farm Business Park, one of Teesside's premier commercial estates;
- Let to Enable Media Ltd, Jacksons Solicitors, Worley Parsons Service Ltd and Northern Powergrid (North East) Ltd;
- Total income £379,500 (Low average rent £9.22 per sq ft);
- WAULT of 4.25 years or 3.6 years to break;
- Offers sought of **£2.7M (two million, seven hundred thousand pounds)** subject to contract and exclusive of VAT;
- Reflecting an attractive net initial yield of 13.2% net of purchasers costs at 6.41% and low capital value of £65 per sq ft.



FALCON COURT



LOCATION

Stockton-on-Tees is located within the Tees Valley approximately 36 miles south of Newcastle upon Tyne, 58 miles north of Leeds and 250 miles north of London. The town is a well located commercial centre within both the immediate urban conurbation and the wider region of North East England.

The subject property is located on Falcon Court which forms part of Preston Farm Business Park, Teesside's premier business park. The estate benefits being immediately off the A138 Elizabeth Way, connecting with Stockton town centre and the A66 (dual carriageway), 3/4 mile to the north. The A66 links to the main trunk roads of the A1(M) to the west and the A19 to the east.

The success of the estate is attributable to accessibility and the provision of good quality space, along with the availability of nearby amenities. These include Teesside Retail Park, with 550,000 sq ft of prime retail space together with the adjoining leisure park, cinema, restaurants and the David Lloyd club with its gym and swimming pool. In addition Falcon Court has its own privately run café, Greggs outlet, dentist and child crèche.

The popularity of Falcon Court is reflected in its tenant line up. Tenant's include The NHS (2 units), AES Seal Plc, Home Group Ltd, Core Legal Ltd, Ibstock Brick Ltd, Worley Parson Service UK Ltd, Northern Powergrid, Hill International (UK) Ltd, Greggs, Tees Valley Community Foundation, S & U Plc, Ravenstock MSG Ltd, Whitecross Dental Practice.

EAGLESCLIFFE TRAIN STATION	6 minutes (London 3 hours)
DURHAM TEES VALLEY AIRPORT	12 minutes (8 miles)
DARLINGTON TRAIN STATION	25 minutes (London 2½ hours)
A66	4 minutes (0.8 miles)
A19	6 minutes (3 miles)
A1M	25 minutes (14 miles)



DESCRIPTION

Falcon Court comprises of 209,173 sq ft (19,432 sq mtrs) of office accommodation in 36 units varying in size from 5,000–10,000 sq ft. There are a total of 912 car parking spaces on site.

The subject units – (No15 to 19) were constructed in 2004 and comprises the best specified offices on the estate. The buildings are detached (albeit connected by a fire corridor following a past single occupation of all units) and are of brick construction with plastic double glazed windows under pitched and tiled roofs.

Internally the buildings benefit from the following specification.

- Raised floors
- Air conditioned cooling and heating through ceiling mounted units;
- Floor to ceiling height of 2.8 metres;
- 8 person passenger lift;
- Immediately opposite 284 shared spaces with access to a dedicated further car park of 30 spaces;
- Male, female and Disabled WC's and kitchen facilities on each floor;
- Flexible, good sized floorplates meeting tenant demand.

ACCOMMODATION

The property has been measured on a net internal floor area basis and provides the following areas:-

UNIT	SQ M	SQ FT
No. 15	982.4	10,575
No. 16	982.4	10,575
No. 17*	982.4	10,575
No. 18	928.9	10,000
No. 19	928.9	10,000
TOTAL	4,805.4	51,725

*Sold off on long lease to Jackson Solicitors



TENURE

The footprint of each building will be sold on a 999 lease at a peppercorn rent without review.

The lease will provide for an estates service charge recoverable from the occupying tenants. The service charge currently runs at £0.65 per sq ft and includes maintenance and repairs of all common parts including car park areas, landscaping, lighting signage and visiting security.

The long leases will contain a right in common with other owners and occupiers on the estate to use any of the car parking spaces on site. There are a total of 912 shared spaces providing an overall ratio of 1:229 sq ft regarded as very favourable. Of these spaces there are 286 spaces immediately opposite the subject units. In addition there is a car park of 30 units which is dedicated to the occupier of Building 17. The car park arrangement has proved popular with tenants.



TENANCY

Tenancy information is summarised in the table below:

UNIT	TENANT	LEASE TERM	RENT £/PA	SQ FT	RENT REVIEW (BREAK OPTION)	COMMENTS
15	Worley Parsons Services UK Ltd	5 years 21/3/2018	£80,000	10,575	(21/3/2020)	Contracted out lease. 3 months notice on break
16	Vacant	2 year rent, service charge and rates guarantee	£80,000	10,575	-	Based on £7.57/sq ft. Interest received to let and buy
17	Jackson Solicitors	125 years from July 2017	Peppercorn	10,575	-	Tenant acquired in July 2017 for £495,000
18	Northern Powergrid (North East Ltd)	10 years 18/2/2015	£110,000	10,000	18/2/2020	Stepped rent increasing to £110,000 pa from 18/2/2019. Landlord to top up this rent
19	Enable Media Ltd	10 years 25/3/2012	£109,500	10,000	25/3/2017	Enable Media are owned by American company Web.com
TOTAL			£379,500 PA. (AVERAGE RENT £9.22 PER SQ FT)	51,725 SQ FT		

Investment provides a WAULT of 4.25 years (3.6 years to break) including rental guarantee.





COVENANT

Covenant information is summarised in the table below.

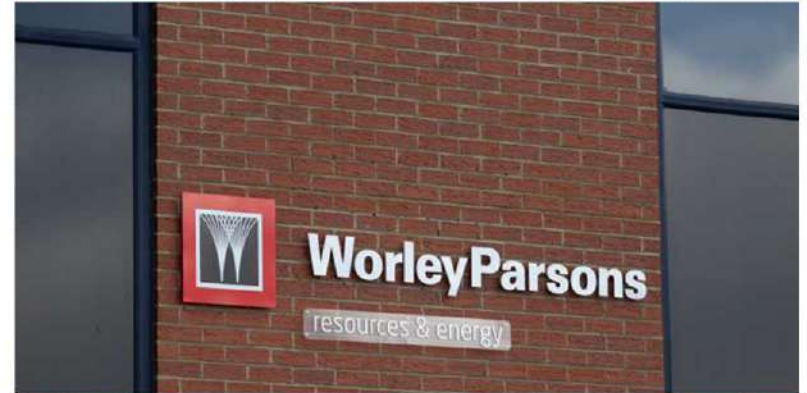
TENANT	DATE	TURNOVER	PTP	SHAREHOLDERS' FUNDS	COMMENTS
Northern Power Grid (Northeast) Ltd	31/12/2017	£328.3m	£105.055m	£975.7m	84 (A) Very Low Risk
Enable Media Limited	31/12/2016	£4.384m	(£1.144m)	(£3.169m)	Now owned by Web.com
Worley Parsons Services UK Ltd	-	-	-	-	See comments below on parent covenant

Worley Parsons Services Ltd are part of Worley Parsons Plc, a large engineering and service company. Worley recently acquired project work undertaken for Spirit Energy from AMEC. 85 staff including engineers and administrative staff are based in this unit.

Jacksons Solicitors are a leading legal practice in Teesside with a further office in Newcastle. The subject unit comprises their HQ office.

Northern Powergrid (North East) Ltd are involved with the service and maintenance of power supply lines to residential and commercial properties in the north east region this office services the Teesside conurbation.

Enable Media Ltd, formerly part of ITV, was sold in 2015 to a larger American specialist company called Web.Com. The company produce websites, logos and design marketing banners and rolling promotional advertising through social media. Since the sale staff numbers have increased from 50 people to approximately 120 people since the takeover took place.



TEESSIDE OFFICE MARKET

The Teesside out of town office market peaked in 2005/2006 when brand new out of town offices built in the region commanded rents up to £17.50 per sq ft with a rental tone of £12-£14 per sq ft.

Best locations providing good quality value space are still doing well and attracting new occupants. In the meantime no new out of town offices are being constructed.

When our clients took over Falcon Court in 2015 the estate suffered significant vacancy and was poorly run. Subsequently this estate has performed well and total vacancy is now down to 20% following a number of sales and lettings in 2017 and 2018.

In addition to lettings there have been a number of sales to owner occupiers reducing the amount of unoccupied space. Unrefurbished space has and is selling at £46-£47 per sq ft with refurbished space at £60-£62 per sq ft.

Unit 17 (one of the subject properties), comprises 10,575 sq ft of unfurnished space was sold to Jackson Solicitors for £495,000 on 2 July 2017 reflective of £47 per sq ft. Jacksons were not previously represented on the estate and located to Falcon Court favouring the specification and wider car parking provision, not available on other competing locations.

LETTINGS EVIDENCE

UNIT/TENANT	SIZE SQ FT	LEASE TERMS	RENT £/SQ FT	COMMENTS
Unit 15 - Worley Parsons Ltd	10,575	5 years from 21/3/18 Break 21/3/2020	£7.57	Open market letting where tenant took on slightly larger space than required in return for a low passing rent.
Pt Unit 4 - World Trade	500	3 years from 2/8/2017	£14.00	Rent reflective of small sized suite.
Unit 28 - Ravenstock MSG Ltd	10,000	10 years from 23/7/2017 Break 23/7/2022	£9.00	Inferior specification. Lease renewal
Pt Unit 23 - Abermed Ltd	1,433	6 years from 25/5/2017 Break 26/5/2019	£13.45	Open market letting. Inferior specification
Pt Unit 10 - Bluefin Insurance Services Ltd	3,750	5 years from 01/04/2017	£8.47	Open market letting. Inferior specification
Unit 24 - Safe in Tees Valley Ltd	5,000	3 years from 01/04/2016	£8.00	Open market letting. Inferior specification

SALES EVIDENCE

UNIT	SIZE SQ FT	STATUS	SALE PRICE & DATE £/K	£/SQFT	COMMENTS
36	5,100	U/O	£320,000	£62	Refurbished space with new floor coverings, redecoration and lighting
26	5,000	Sold	£240,000 7/9/2018	£48	Unrefurbished
12	5,000	Sold	£230,000 10/04/2018	£46	Core Legal Ltd who refurbished after acquisition
34	5,100	Sold	£255,000 09/04/2018	£50	Core Protection Teesside Ltd
5	5,200	Sold	£295,000 20/03/2018	£58	Wolviston Management Services Ltd
8	4,874	Sold	£225,000 29/11/2017	£46	Clemtech Ltd
17	10,575	Sold	£495,000 21/07/2017	£47	One of the subject units.



ASSET MANAGEMENT

We consider the following asset management plan could enhance value.

- 1) Construct an additional rear door between Northern Powergrid's office and the dedicated car park encouraging use of this underutilised car park.
- 2) Removal of break option/lease extensions.
- 3) Sell off the units individually.

CAPITAL ALLOWANCES

We understand there are no transferable capital allowances available.

VAT

We understand the property is elected for VAT and it is anticipated that the transaction will be treated as a Transfer of a Going Concern (TOGC).

INVESTMENT RATIONALE

We believe this opportunity is an attractive investment proposition for investors seeking high yielding properties for the following reasons:

- Very attractive high net initial return.
- Proven location popular with owner occupiers and tenants.
- Recent sales and letting transaction support underlying value
- Buying off low rent and capital values per sq ft.
- Continued reducing supply and ability to move rents and sale values up.
- Asset management angles to increase investment value.



EPC CERTIFICATE

The properties have an EPC rating of C. Copies of certificates can be provided on request.

PROPOSAL

We are instructed to seek offers for our client's long leasehold interest with the benefit of rental guarantee on Unit 16 in the sum of **£2.7M (Two million seven hundred thousand pounds)** subject to contract and exclusive of VAT. A purchase at this level reflects a net initial yield of 13.2% after allowing for purchasers' costs at 6.41%.



INFORMATION/VIEWING

GVA

0191 261 2361
gva.co.uk/14627

SIMON BEANLAND

DD: 0191 269 0512

Mobile: 07885 459 270

E: simon.beanland@gva.co.uk

LYNSEY UNDERWOOD

DD: 0191 269 0093

Mobile: 07767 477 027

E: lynsey.underwood@gva.co.uk

CONNECT
PROPERTY

01642 602001
www.cpne.co.uk

TIM CARTER

DD: 01642 704930

Mobile: 07904 622 278

E: tim@cpne.co.uk

ANDREW WILKINSON

DD: 01642 704932

Mobile: 07904 622277

E: andrew@cpne.co.uk