

EXCHANGE FLAGS, LIVERPOOL



INVESTMENT OPPORTUNITY OVERVIEW

CBRE

Location

- An excellent opportunity to acquire this iconic asset in Liverpool City Centre.
- Situated in a prime location at the heart of the Commercial Business District and a short walk from Liverpool's world renowned waterfront, and Liverpool ONE.

History

- Exchange Flags comprises Walker House and Horton House, two neo-classical buildings enclosing a square that acted as the original trading site for cotton merchants in Liverpool throughout the 19th century. The property was constructed between 1935 and 1955 and was subject to a significant refurbishment in 2007-09
- The building contains the bunker housing the World War II military command headquarters from which the campaign against the German submarine fleet in the Atlantic was planned.

Accommodation

- Walker House and Horton House provide a total of 366,028 sq ft of office, leisure and ancillary space, together with 152 car parking spaces, with flexible floor plates.
- The buildings were extensively refurbished between 2007-09, at a cost of an estimated £25million. The refurbishment was undertaken by a joint venture between UK Land & Property and Pochin who acquired Walker & Horton House in June 2006/7.

Tenant Line-Up

- Multi-let to a strong line-up including The Secretary of State for Defence, Capita, Brabners, Regus, WYG and Deloitte.
- The ground floor of Exchange Flags has been successfully repositioned as a restaurant and leisure destination, taking advantage of the public realm in the central square, with occupiers including Fazenda, Vincent Brasserie and Philpotts.

Destination

- Exchange Flags is at the heart of the Central Business District and forms part of Liverpool's principal restaurant and leisure circuit.
- The Exchange Flags square has undergone a transformation to create a real 'sense of place' with bespoke signage, regular events, launches, and the Western Approaches museum. Events in 2015 included Oktoberfest, Open Air Theatre performances and various brand promotions.

Income and AWULT

- Headline income of £4,404,541 per annum, providing a low average passing office rent of approximately £13.50 per sq ft.
- Triple-net income of £4,129,984 per annum.
- 9 of the top 12 tenants are classed as very low, low and below average risk companies by Experian.
- Weighted Average Unexpired Lease Term of 6.60 years to expiry and 4.50 years to earliest termination.

Vacancy and Shortfalls

- Current vacancy in Walker House is approximately 25% (45,000 sq ft office and 13,000 sq ft lower ground / basement).
- Current vacancy in Horton House is approximately 14% (9,000 sq ft office and 10,500 sq ft lower ground / basement).

Service Charge and Empty Rates

- No empty rates payable due to Grade II Listing.
- Service charge shortfall on vacant space totalling approximately £275,000 per annum. No service charge shortfalls on let space.
- Service Charge at Walker House - £4.31 per sq ft. Service Charge at Horton House - £3.73 per sq ft.

Leasing Activity and ERV

- Over 100,000 sq ft of new lettings in the last 18 months – comprising 10 lettings including Lebatish, Vincent Brasserie, Armstrong Solicitors, St James's Place, Red Touch Media, WYG, GL Watson, Capita, Worthington Owen and Exchange Insurance.
- Over 50,000 sq ft of lease re-gears in the last 18 months.
- Office ERV now firmly established at £16.00 per sq ft across the majority of office accommodation.
- Significant reversionary potential with a total ERV of £5,668,720 per annum.

Asset Management Opportunities

Exchange Flags provides a purchaser with a number of asset management opportunities which briefly include the following:

- Taking advantage of a prevailing supply / demand imbalance - a significant proportion of refurbished office accommodation has been converted into alternative uses and there are very few competing buildings to Exchange Flags with significant vacancy;
- Leasing of vacant space;
- Lease re-gears with a number of expiries and break options within the medium term;
- Continuing to establish the new rental tone through both new lettings and rent reviews;
- Further future re-configuration of ground floor space to provide additional leisure accommodation;
- The continued promotion of Exchange Flags as a destination within the city centre through the continued proactive management strategy and staging of events.

A price of £50,000,000 would reflect the following yield profile, assuming purchaser's costs at 6.78%:

Net Initial Yield	8.23%
Triple Net Initial Yield	7.71%
Reversionary Yield	10.60%

A price of £50,000,000 also reflects a low capital value of £128 per sq ft assuming car parking at £20,000 per space.