

PILGRIM HOUSE

OLD FORD ROAD. ABERDEEN. AB11 5RL

**PRIME
CITY CENTRE
OFFICE
INVESTMENT**



PILGRIM HOUSE

EXECUTIVE SUMMARY

- High quality office building developed in 2014 to provide open plan accommodation arranged over four floors
- Close proximity to Aberdeen city centre & harbour
- 2,472 sq m (26,609 sq ft) with 42 car parking spaces (1:635 sq ft), including two EV charging points
- Food Standards Scotland occupy the 3rd and 4th floors within the building, totalling 1,182 sq m (12,719 sq ft)
- Excellent ESG credentials with an EPC of 'B' and a BREEAM 'Excellent' rating
- WAULT of 6.27 years to expiry
- The passing rent is £390,265 per annum, reflecting £30.68 per sq ft. In addition, an empty business rates cover guarantee will be provided for two years
- Fixed rental uplift to £452,424 per annum (£35.57 per sq ft) in November 2024, generating a reversionary yield of 14.17%
- Two years empty business rates cover offered over vacant space
- Heritable (Scottish equivalent of English Freehold)*

PROPOSAL

We are instructed to seek offers in excess of £3,000,000 (Three Million Pounds Sterling) exclusive of VAT. A purchase at this level would reflect a net initial yield of 12.22% with an anticipated revisionary yield of 18.75% once the vacant space is let, rising to 20.70% following the fixed rental uplift, after allowing for purchasers' costs of 6.45% including LBTT (Land and Buildings Transaction Tax).

*Our client benefits from both the heritable title and the tenant's interest in a long lease of the subject property, which tenant's interest has been maintained in order to preserve certain rights under the long lease, further details of which can be provided by our client's solicitors on request.



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ABERDEEN

Aberdeen is Scotland's third largest city and is the energy capital of Europe, making it one of the most prosperous business focussed cities in the UK.



The population of the city is estimated at 220,000 people with a catchment population in excess of 500,000.



Output per worker in Aberdeen (£62,500 per annum) is second only to Edinburgh (£68,150 per annum) in Scotland and also beats other UK regional cities including Manchester, Leeds and Bristol.



The city has two highly regarded universities – the University of Aberdeen and Robert Gordon University.



Aberdeen is home to a quarter of Scotland's top 100 companies.



A second harbour port was recently completed at New South Harbour. This was specifically created to service the offshore green energy sector.



Aberdeen is set to become a green energy powerhouse with significant investment in offshore wind, hydrogen and carbon capture technologies.

ABERDEEN'S ENERGY SECTOR

Aberdeen has been at the forefront of the British offshore energy industry since the 1970s and is widely recognised as the energy capital of Europe. Leading oil and gas companies operating from regional headquarters in the city include BP, Shell, Total, Repsol Sinopec, Wood, TAQA, CNOOC Petroleum and Apache.

In the last two years a wave of new private equity backed investment has burst onto the scene. More than \$12bn of private equity money poured into the UK North Sea backed by some of the biggest names in the industry.

Private capital investment has reshaped the asset ownership landscape, with significant resources shifting from the supermajors to specialist operators focused on increasing returns from technically challenging wells and new discoveries. This is extending the life of the industry as new entrants develop ways to operate more efficiently. According to the analyst Wood Mackenzie, a further \$13bn of private equity investment could be deployed in the market. With a lower cost base independents can consolidate around existing hubs, maximise production, drive innovation, increase recovery and reduce decommission spend.

In addition, the UK government in July 2023 confirmed the granting of hundreds of new North Sea oil and gas licenses to boost British energy independence and grow the economy. The Government and the North Sea Transition Authority (NSTA) announced a joint commitment to undertake future licensing rounds to help drive energy independence. The NSTA expect the first of the new licences to be awarded in the autumn, with the round expected to award over 100 licences in total. The UK's oil and gas industry are vital to driving forward and investing in clean technologies required to realise net zero targets.

GREEN ENERGY MARKET

Given its location within close proximity to the North Sea, Aberdeen is well placed to take advantage of the green energy boom with close access to offshore wind farms as well as carbon capture technologies associated with the North Sea oil fields.

Aberdeen is now seen as a focal point for energy transition and in particular the development of renewable energy. There are live requirements within the city for occupiers looking to establish renewable energy teams driven by a skilled workforce. Crown Estate Scotland has awarded energy companies, including BP, Shell, Scottish Power and SSE, permission to lease Scottish seabed where they plan to build windfarms to power the equivalent of 23m UK homes annually.

In August 2023 Aberdeen was selected as a location for Project Acorn. This project will focus on carbon capture and storage as a critical project in the UK and Scotland's commitments to reach net zero. In addition to windfarms, there is also massive investment in hydrogen and carbon capture in the north east of Scotland with the city of Aberdeen being touted as the first 'Hydrogen City' in Europe. Carbon capture is going to be significant with the current infrastructure in the North Sea and St Fergus giving a unique position to capture the carbon.



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SITUATION



Strategically and prominently positioned just off North Esplanade West, Pilgrim House enjoys principal road frontage to Old Ford Road. The immediate area is recognised as the 'North Dee Business Quarter (NDBQ)', a city centre business district with 300,000 sq ft of office space recently built in this revitalised area.

The location offers excellent road connections affording easy access to both the north and south of the city. The nearby Union Square Shopping Centre is home to major retailers such as M&S, Next, Apple and a host of restaurants such as Wagamama & Yo Sushi. NDBQ is home to a number of businesses, including Neptune Energy, Enquest, WorleyParsons, Petrofac and PD&MS.

Pilgrim House is an established office destination within the city centre and benefits

from excellent accessibility and amenities for employees/visitors. The subject property has outstanding views over Aberdeen city centre and is only a 5 minute walk from the Union Square Shopping Centre, Bus Terminus and leisure development. Pilgrim House is strategically located on Aberdeen's inner-city ring road system making for easy access via car. The property also benefits from exceptional connectivity to Central Scotland via Aberdeen Train Station which is situated only 0.5 miles from the subject property.

The recent decision by Shell to relocate their Aberdeen HQ to The Silver Fin, bringing 1,000 staff into the city centre, confirms the strength of the Central Business District and is sure to encourage and attract other occupiers to the area.



Walk

Union Square	5 mins
Bus Station	5 mins
Aberdeen Train Station	5 mins
Ferry Terminal	8 mins



Train

Aberdeen Airport	25 mins
Dundee	1hr 15 mins
Edinburgh	2hrs 24 mins
Glasgow	2hrs 33 mins



Drive

Aberdeen Airport	25 mins
Dundee	1hr 15 mins
Edinburgh	2hrs 30 mins
Glasgow	2hrs 40 mins



Aberdeen Airport Flight Times

Stavanger	1hr 10 mins
Amsterdam	1hr 10 mins
London	1hr 25 mins
Paris	1hr 55 mins

PILGRIM HOUSE

- 01 Neptune Energy
- 02 Liberty House
- 03 Freedom House
- 04 Ardent West
- 05 Admiral Court
- 06 Annan House
- 07 Consort House
- 08 Bridgeview
- 09 Union Square
- 10 Leonardo Hotel
- 11 Marischal Square - Aberdeen Journals, Spaces, RBS, EY, KPMG, Chevron, NSTA, Burness Paull
- 12 Union Plaza - Deloitte
- 13 The Capitol - PWC, Orega, Xodus Group, Kellas Midstream, RSM
- 14 Silver Fin - Shell, NEO Energy, Prosafe, Barclays
- 15 IQ - Wood, Spirit Energy, COSL Drilling
- 16 Travelodge
- 17 Nuffield
- 18 Brodies House
- 19 Sainsbury's
- 20 Talisman House



PILGRIM HOUSE

DESCRIPTION

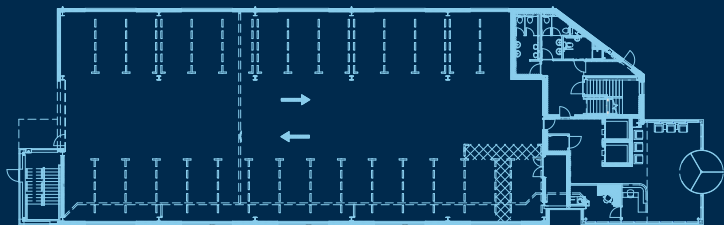
- 'Excellent' BREEAM rating
- The development has an EPC rating of 'B'
- Comfort cooling and heating
- Raised access floors with 150mm clear void
- Passenger lifts to all floors
- Suspended ceiling system
- Male, female and disabled toilets on each level
- Small gym on ground floor
- Generous parking provision



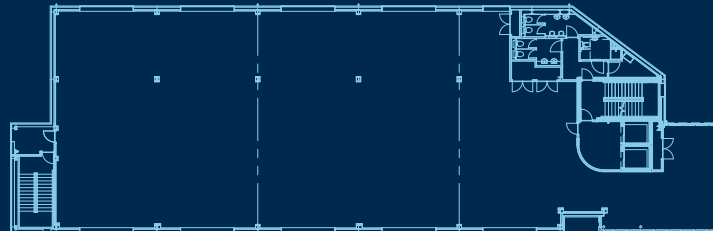
THE PROPERTY

Pilgrim House was developed in 2014 to provide high quality, Grade A open plan office accommodation. The subject property comprises ground floor reception and four upper floors totalling 26,609 sq ft and 42 car parking spaces including two common EV charging points.

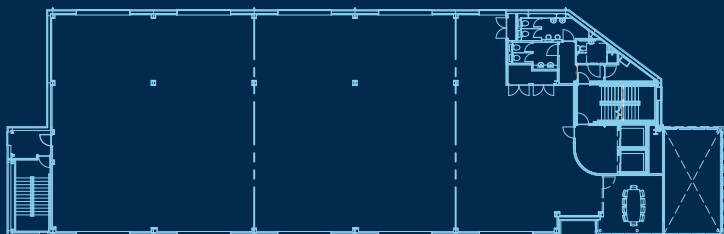
FLOOR PLANS



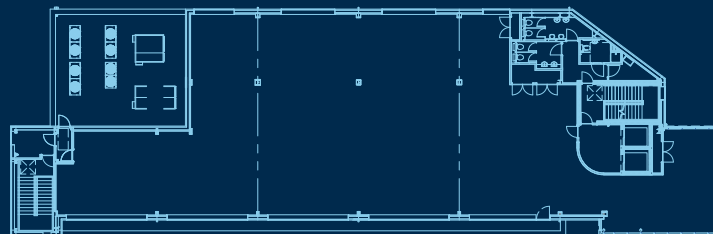
Ground Floor



Second & Third Floors



First Floor



Fourth Floor

ACCOMMODATION

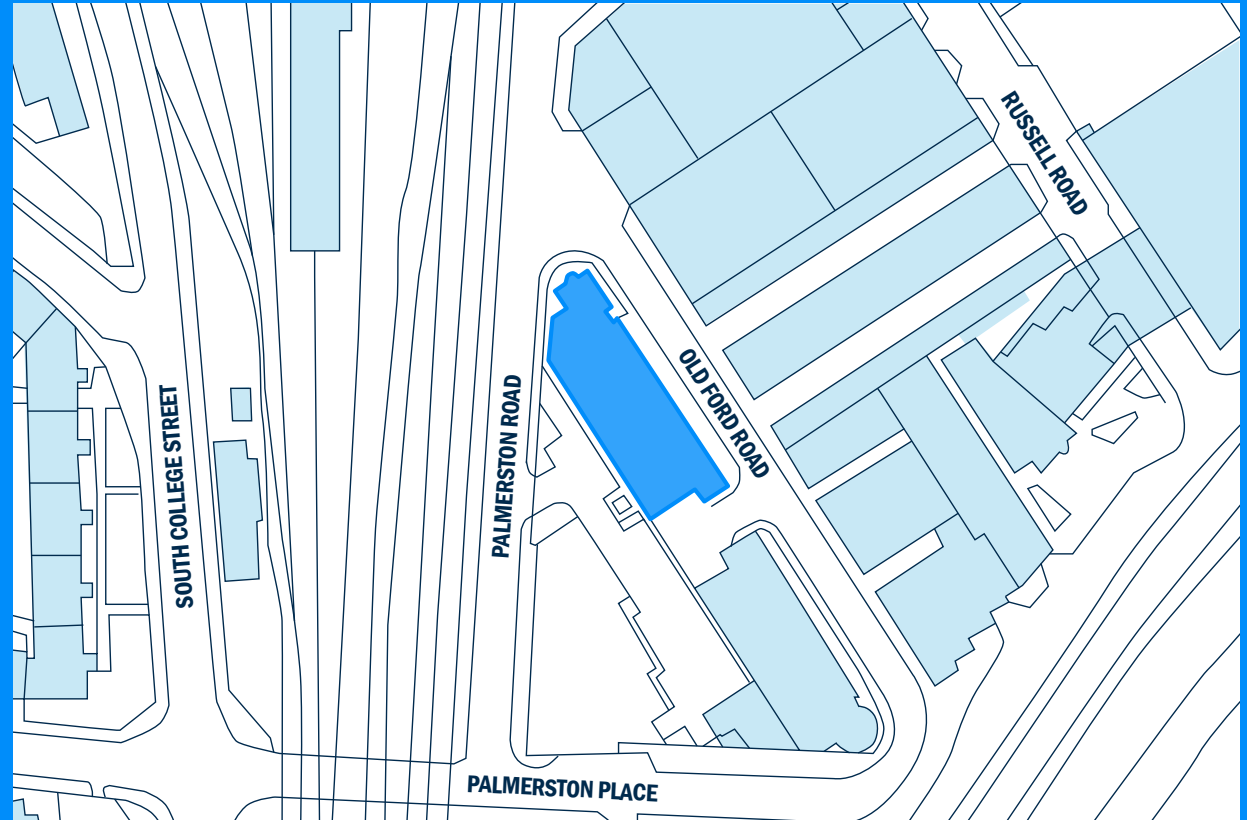
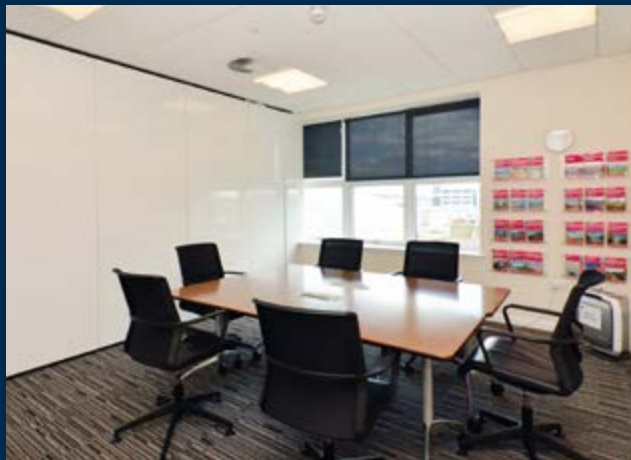
FLOOR	SQ M	SQ FT
Fourth	523	5,632
Third	658	7,087
Second	662	7,121
First	629	6,769
Total	2,472	26,609
Ground Floor Reception	52	559

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TENANT COVENANT

Established in 2015, Food Standards Scotland (FSS) is the public sector food body for Scotland. As the FSS are a government entity, they are considered to have an undoubted covenant. The company aims to protect the health and wellbeing of consumers and has three main objectives outlined below:

- To protect the public from risks to health which may arise in connection with the consumption of food
- To improve the extent to which members of the public have diets which are conducive to good health
- To protect the other interests of consumers in relation to food
- The Food Standards Scotland has a unique role in government and works independently of ministers and industry to provide impartial advice based on robust science and data



TENANCY SCHEDULE

TENANT	AREA SQ FT	START DATE	ANNUAL RENT	NEXT RENT REVIEW	LEASE END	COMMENTS
Scottish Hydro Electric Power Distribution Plc		20/08/2014	£1		27/05/2133	
The Scottish Ministers t/a Food Standards Scotland	12,719	04/11/2014	£390,265	04/11/2024	03/11/2029	Fixed uplift compounded annually at 3% to £452,424 per annum in November 2024. 15 car parking spaces.
Vacant	13,890	N/A	ERV £208,350 (£15 per sq ft)	N/A	N/A	Two years empty business rates cover guarantee. 25 car parking spaces.

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ABERDEEN OCCUPATIONAL

Take-up in 2022 totalled 385,583 sq ft with a number of deals over 10,000 sq ft. The first half of 2023 has seen 108,593 sq ft transacted and with a number of large deals Under Offer for the second half of the year we anticipate strong take up on the back of the oil price sitting around \$85 per barrel at the time of writing.

We are seeing healthy enquiry levels for Grade 'A' supply with a continued "flight to quality" away from traditional townhouse cellular offices to modern energy efficient open plan offices. New build and good quality refurbished property have a considerable advantage over older, poorer quality stock. This can be seen as the available Grade 'A' office accommodation within the city centre continues to fill up. Most notably, Shell recently taking all of the remaining office accommodation at the Silver Fin Building. This has significantly reduced Grade A supply in the city centre.

Notable Recent Transactions include:

COMPANY	SIZE	PROPERTY
Kellas Midstream Limited	10,149 sq ft	The Capital
Xodus Group	10,139 sq ft	The Capital
Genesis Oil & Gas Consultants	14,100 sq ft	26 Albyn Place
Vysus Group	10,837 sq ft	Prime View, Kingswells
Three60 EPCC Ltd	16,103 sq ft	Annan House, Palmerston Road
Shell UK	100,000 sq ft	Silverfin Building, Union Street
Ithaca Energy	41,365 sq ft (net increase) 96,357 sq ft (FH purchase total)	Chevron House, Hill of Rubislaw
North Sea Transition Authority 2022	18,000 sq ft	Marischal Square

Opportunity North East (ONE) has set out an ambition to help create Aberdeen as a world leading Energy Transition Zone (ETZ) to accelerate the delivery of net zero solutions and secure a strong economic future built on offshore wind, hydrogen and carbon capture usage and storage, alongside gas.

Whilst the oil and gas sector will remain important for many years to come the transition to renewable energy is now well established in the north east. Aberdeen is well placed to utilise its existing highly skilled workforce and extensive onshore/offshore infrastructure to become a leading global player in the net zero transition drive for renewable energy production.

Rents for best in class, prime office buildings in Aberdeen are currently £32.50 psf, as achieved at The Silver Fin Building. This represents a significant discount for prime assets in Aberdeen when compared to other regional UK cities.



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ABERDEEN OFFICE INVESTMENT

A continued and sustained period of recovery for the occupational markets is beginning to help generate greater investor interest in Aberdeen. Total annual investment in the office sector was c. £582m in Scotland in 2022, which represents a range of investors including UK, overseas private equity and a number of ESG focused investors. The notable recent investment transactions in the market are listed opposite.

PROPERTY	PRICE	NIY	DATE
37 Albyn Place, Aberdeen	£3.539m	7.79%	August 2022
Equinor House, Prime Four Crescent, Aberdeen	£20.00m	7.35%	September 2022
16 North Esplanade, West Aberdeen	£13.60m	9.37%	May 2021
TechnipFMC, Westhill	£22.40m	6.70%	July 2019
Atmosphere 1, Westhill	£13.375m	8.68%	February 2019
AB1, Huntly Street	£13.45m	7.85%	January 2019
Thermopylae House & Teekay House, Westhill	£13.30m	7.58%	July 2018
Aker UK Campus	£112.50m	6.92%	March 2018
Statoil, Prime Four, Kingswells	£18.70m	6.14%	January 2018

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VAT

The property has been elected for VAT and it is envisaged that the transaction will be treated as a Transfer of Going Concern (TOGC).

DATA ROOM

Access to the legal Data Room will be provided upon request.

EPC

The property has an EPC rating of B. Further information can be provided upon request.

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SERVICE CHARGE

The service charge budget is £9.84 per sq ft. There is a service charge short fall of £136,699.02 per annum on the vacant space.

FURTHER INFORMATION

For further information or to arrange inspection, please contact:



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