

UNIT 15 CHOLLERTON DRIVE

NORTH TYNE INDUSTRIAL ESTATE,
LONGBENTON, NEWCASTLE UPON TYNE NE12 9SZ



HIGHLY REVERSIONARY SINGLE LET INDUSTRIAL INVESTMENT

Investment Summary



- Single-let industrial facility extending to approximately 53,988 sq ft
- Located on North Tyne Industrial Estate, within 1 mile of the A19
- Let to BLP (Northern) Limited on a new 10 year lease from **3rd July 2023**
- Annual rent of **£160,000** per annum reflecting a modest £3.25 per sq ft
- ERV in 2023 of £221,035 per annum reflecting £4.50 per sq ft
- ERV in 2033 of £297,053 pa reflecting circa £6.04 per sq ft
- Long standing tenant having occupied the unit since 1990
- Long Leasehold

We have been instructed to seek offers in excess of **£1,870,000** reflecting a capital value of **£34.63** per sq ft, a NIY of **8.05%**, an equivalent yield of **10.31%**, a reversionary yield in 2033 of **14.87%**

Location

Newcastle upon Tyne is the **commercial and administrative capital** of the North East of England. The city is situated 104 miles south of Edinburgh, 98 miles north of Leeds and 277 miles north of London.

Newcastle has a resident population of around 300,000 people with 1.4 million people living within 12 miles of the city centre.



ROAD

The city benefits from excellent road communications with the A1 and A19 principal routes from the south, the A69 extends westwards and the A1 providing main route north to Scotland.

RAIL

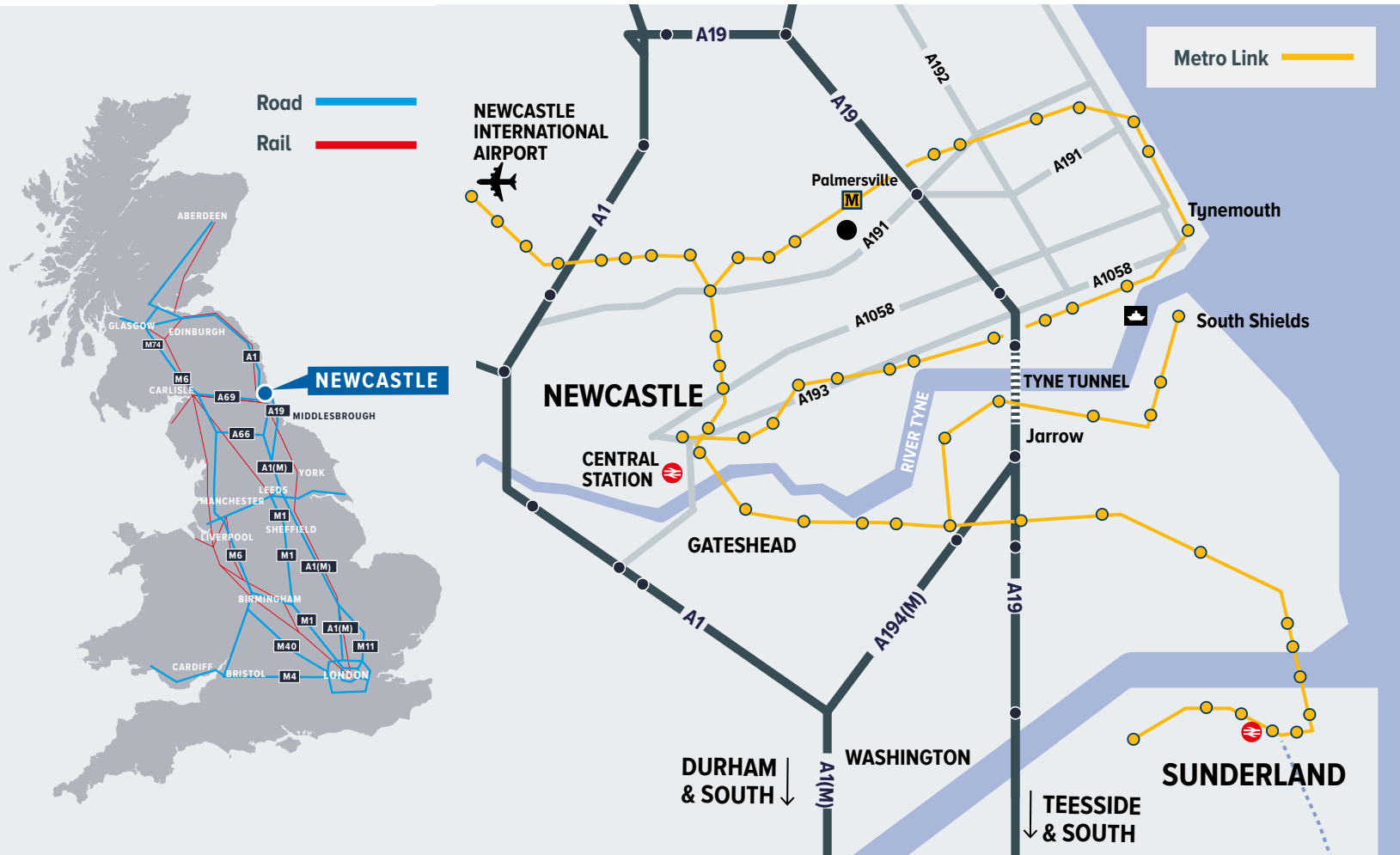
Newcastle upon Tyne is a major transport hub and is a key stop on the East Coast mainline providing direct routes across the country with a travel time to London Kings Cross of 2 hours 40 minutes and 1 hour 20 minutes to Edinburgh.

METRO

Newcastle Central Station is the main interchange for the Tyne and Wear Metro, a regional rail system that reaches across 60 stations throughout Tyne and Wear, extending as far as Newcastle Airport to the west and Sunderland to the south east.

AIR

Newcastle International Airport provides flights to over 85 destinations across Europe and worldwide, serving 5.4 million passengers annually. The airport is located approximately 7 miles north west of the city centre, and is accessed by both road and rail networks.





Situation

The unit forms part of the **North Tyne Industrial Estate**, which is situated immediately north of the **A191 Whitley Road**, approximately **4.1 miles** northeast of **Newcastle city centre**.

The estate benefits from excellent communication links, having easy access to the region's main road network. The A19 trunk road is within 1 mile to the east with direct connection to the A1(M) a further 5 miles south. The A167(M), also known as the Newcastle Central Motorway is located approximately 3.8 miles southwest of the property.

Notable occupiers on the estate include Tile Giant, Screwfix, Howdens and Travis Perkins. A standalone Asda superstore sits directly adjacent to the entrance of the estate.





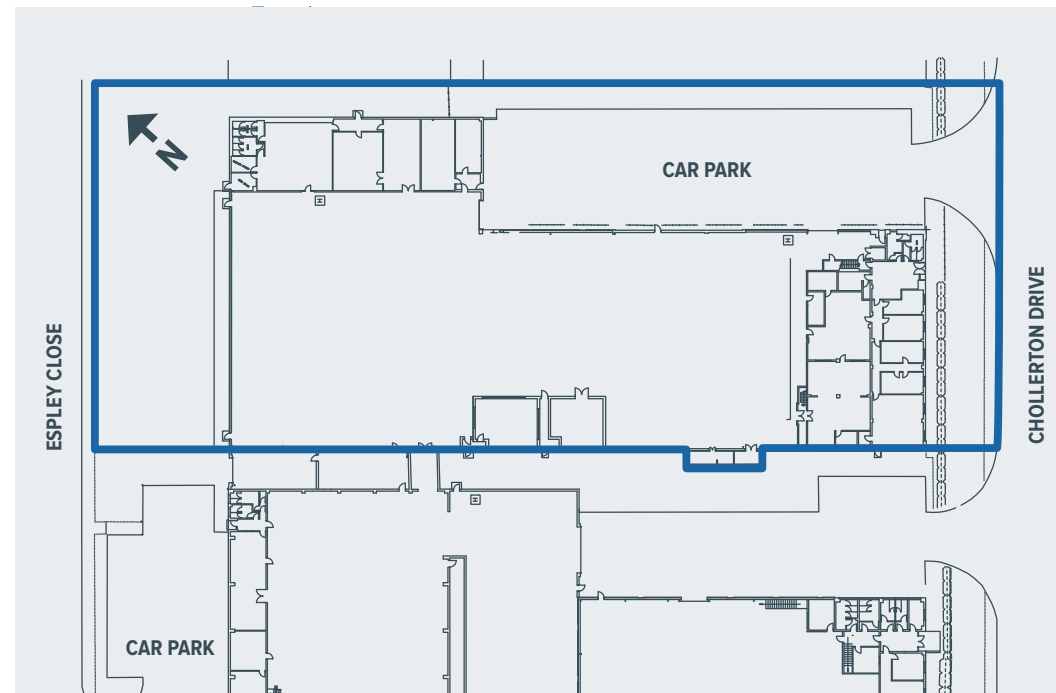
Description

The property comprises a **single let industrial manufacturing unit** of steel frame construction with part brick work and profile steel sheet cladding surmounted by a flat profile sheet roof. The unit sits on a **1.5 acre site** and forms an L shape around an **external yard** and **car park**.

Internally the unit comprises the original unit to the south of the site and more recent extension and mezzanine to the rear of the unit. The unit is accessed off Chollerton Drive. Further access is provided by two roller shutter doors to the eastern elevation via the car park and yard area, whilst to the rear of the unit is a single roller shutter door accessed via the open yard.

Externally, the unit benefits from a dedicated yard and parking area to the south east of the site, in addition to an open yard to the rear.

Further land extending to 0.24 acres is included within the long leasehold title boundary adjacent to the rear yard, offering future expansion potential subject to obtaining relevant necessary consents.



Accommodation

The property has been measured in accordance with the RICS Code of Measuring Practice (6th Edition).

AREA	SQ M	SQ FT
Warehouse	3,121.32	33,597
Office	989.63	10,652
Mezzanine *	904.69	9,738
TOTAL	5,015.64	53,988

* We have adopted a ½ rate on the mezzanine to produce a net lettable area of 49,119 sq ft.

The property occupies a rectangular site of approximately **0.626 hectares (1.547 acres)**.

Tenancy

The property is let on a new straight 10 year FRI lease from 03/07/2023 at a passing rent of £160,000 per annum. The annual rent reflects a low passing rent of £3.25 per sq ft, and is not subject to review throughout the term.

The lease is subject to a schedule of condition, full details are available in the data room.

Tenure

The property is held on a long leasehold from Ashtenne (AIF) Limited, now part of Blackstone Mileway for 125 years from 29th November 1985 providing 87 years unexpired.



Tenant Covenant

BLP (Northern) Limited

Registered no: 02605236

BLP (Northern) Limited was established in 1984 and is principally involved in printing, packaging, logistics and direct mailing. It is a privately owned limited company and employs approximately 100 people. Further information can be found at www.blpprint.co.uk.

	31/12/2022	31/12/2021	31/12/2020
Turnover	-	£6,986,869	£7,581,636
Profit	-	£203,694	£476,903
Shareholders' Funds	£1,246,857	£1,209,400	£1,098,949

In July 2023 BLP (Northern) Limited was acquired by Brown Knight and Truscott Holdings which itself was established in 1825. Brown Knight and Truscott operates in the same sector and is relocating its entire operation to the subject property, to establish a new UK HQ.

The combined entity is forecast to report a turnover of £16,000,000.

Brown Knight & Truscott Limited (02753137) have reported the following financial information:

	31/12/2021	31/12/2020	31/12/2019
Net Tangible Assets	£1,314,224	£1,208,103	£1,200,451
Shareholders' Funds	£1,059,586	£926,975	£1,123,951

EPC

Current EPC rating of D(84). Further details and Recommendation Report are available upon request.



Market Overview

Annual take up in the North East Industrial market stood at 3.4 million sq ft in 2022 with manufacturing occupiers accounting for approximately 78% of 2022 take up, compared to 43% in 2021.

A highly constrained supply chain of quality units in excess of 50,000 sq ft is largely to blame for a notable reduction in take up throughout H1 2023 with only 453,000 sq ft of take up in this period, down 54% on H1 2022.



Speculative development has increased in response to previous supply constraints in the North East. A total of 816,400 sq ft remained under construction across 7 units by the end of Q2 2023. Availability for units over 50,000 sq ft decreased by 20% throughout Q2 2023 to a record low of 4.2%.

Recent letting activity in the North East includes:

Address	Tenant	Size sq ft	Rent sq ft	Date	Transaction
30A New York Way	Soil Machine Dynamics	15,222	£6.50	Oct 2023	OML
Unit 1 Fiennes Road, Peterlee	The Storage Place	100,340	£5.00	Sept2023	OML
2 & 3 Stephenson Road, Washington	Highly Marrelli UK	94,079	£4.01	June 2023	OML
Dodworth Street, Darlington	Furniture 365	60,867	£3.25	June 23	Renewal
Unit B Merlin Way	Elanders	80,859	£5.25	Oct 2022	OML
Cherry Blossom Way, Washington	Nissan	100,000	£6.20	Sept 2022	OML
Unit 1 New York Way	Jaycare	37,296	£5.85	Aug 2022	Rent Review
Shed 20, Tyne Dock, South Shields	Komatasu	124,612	£4.73	Mar 2022	Renewal

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Recent investment activity in the North East includes:

Address	Marketed/ Completed	Size max	Price	Yield	Comments
Armstrong Works, Scotswood Road, Newcastle upon Tyne, Tyne and Wear, NE15 6UX	01-08-2023	80,28 sq ft	£3,400,000	8.00%	Total rent PA: £290,000 WAULT to break: 4.5 years WAULT to expiry: 3.1 years
The Cane Factory, Tundry Way, Gateshead, Blaydon, Tyne and Wear, NE21 5SJ	07-07-2023	29,763 sq ft	£1,504,000	8.75%	Total rent PA: £139,580 WAULT to break: 3.4 years
Electrolux, Unit 1, Bowburn North Industrial Estate, Bowburn, Durham, Durham, DH6 5PF	05-07-2023	97,308 sq ft	£5,175,000	7.25%	Total rent PA: £403,500 WAULT to expiry: 5.5 years
Bowburn North Industrial Estate, Bowburn, County Durham, DH6 5NG	11-05-2023	200,343 sq ft	£4,500,000	7.61%	Total rent PA: £365,051 WAULT to break: 3.9 years
Unit 5A, Wesley Drive, Benton Square Industrial Estate, Newcastle upon Tyne, Tyne and Wear, NE12 9UP	01-03-2023	20,3976 sq ft	£1,000,000	7.57%	Rent £80,000 PA WAULT to expiry 4.50
Royal Mail, 9-10 Wearfield, Sunderland, SR5 2TZ	01-06-2022	63,365 sq ft	£269	5.20%	Total rent PA: £269,300 WAULT to expiry: 9.2 years

Estimated Rental Value

The passing rent of £160,000 pa reflects £3.25 per sq ft and was agreed to be lower than the market rate as part of the corporate transaction which saw Brown Knight and Truscott acquire BLP (Northern) Ltd. We estimate the ERV to be £221,000 pa based on £4.50 per sq ft which is supported by the evidence above.

The North East industrial market has seen unprecedented rental growth over the last five years averaging 4.30% per annum and culminating in an annual growth rate in 2022 of 6.47%.

The Knight Frank forecast annual growth rate for the next five years is 3.00% per annum which would, if extended over the course of the lease, produce an ERV in 2033 of £6.04 per sq ft and a total rent of £296,679 per annum.

Rental Growth Forecasts - Q2 2023

Market	Region	Measure	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	5 YR CAGR (2023-2027)
North East	North East	Average Rental Growth	2.76	1.94	0.97	6.31	6.47	5.82	2.84	2.23	2.07	2.10	3.00

Rental Growth 2022	North East	6.47
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VAT

The property has been elected for VAT and we anticipate the property will be sold as a TOGC.

Anti-Money Laundering

In accordance with HMRC Anti Money Laundering Regulations, a successful party will be required to provide satisfactory documentation upon agreeing heads of terms.

Proposal

We have been instructed to seek offers in excess of **£1,870,000 (One Million, Eight Hundred and Seventy Pounds)** reflecting a capital value of £34.63 per sq ft, a NIY of 8.05%, an equivalent yield of 10.31%, and a reversionary yield in 2033 of 14.87%.



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Designed & produced by www.creativestreakdesign.co.uk Ref: CSD2132

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