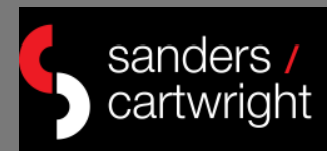




Investment For Sale  
181 Union Street, Aberdeen

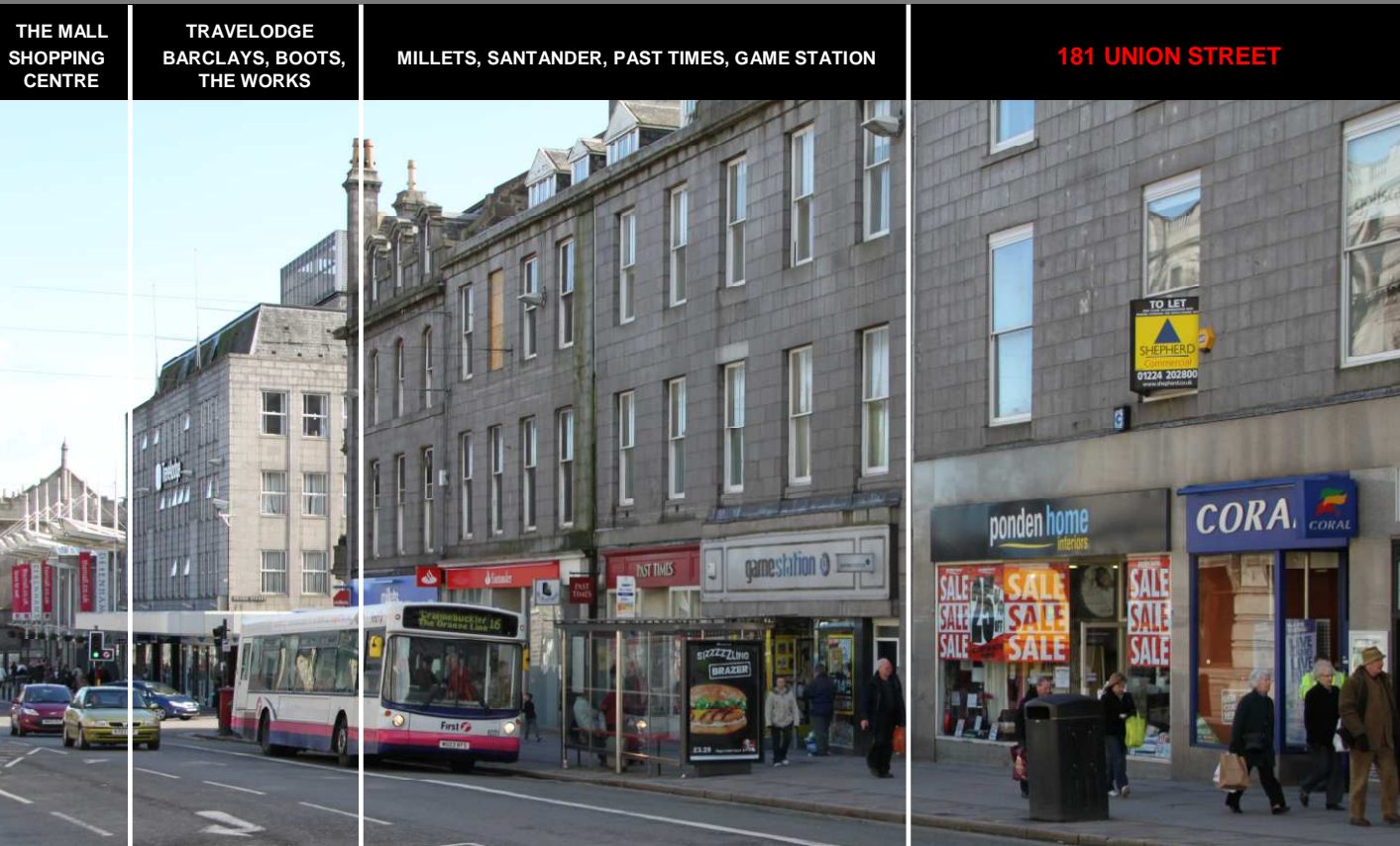


## INVESTMENT SUMMARY

- Strong location on Union Street in the heart of Aberdeen city centre.
- Let to Scottish Ministers, Grampian Joint Police Board and Homestyle Operations Ltd.
- FRI leases expiring 02.2018, 05.2015 and 11.2017 respectively.
- 68% of income secured to the Government and Grampian Joint Police Board.
- Total rent £282,670 pa.
- Offers over £3,550,000 reflecting 7.53% net initial yield.

## ANGLES

- Opportunity to acquire substantial building with secure income and future development angles.
- Potential to redevelop the extensive upper floor to create hotel, student or residential accommodation in the future.
- Attractive running yield.
- Low retail Zone A rates of £55.00 - £60.00 psf compared to adjoining block at £100.00 - £125.00 psf Zone A.



## LOCATION

Aberdeen is the third largest city in Scotland with a population of approximately 215,000 and a regional catchment population of over 500,000. It is the administrative capital of the north east of Scotland and lies approximately 127 miles north of Edinburgh and 147 miles north east of Glasgow. The city benefits from two Universities together with world renowned agricultural research establishments and fisheries.

For over 25 years the most significant industry has been North Sea oil and gas exploration and production, but also has diverse industrial base including food processing, paper manufacturing and construction. Oil and gas related industries have generated unprecedented economic growth in Aberdeen and the surrounding area, increasing the population by over 60,000 and bringing some 900 related firms to the area. Organisations located in the city include Shell, BP, Chevron Texaco, Exxon Mobil and Total Fina Elf, Halliburton, Aker Kvaerner and Schlumberger.

Other significant industries in Aberdeen include financial and professional services, manufacturing, education and Local Government with occupiers including Aberdeen Asset Management, Accenture, KPMG and the NHS.

Aberdeen has excellent communication links with the rest of Scotland, the UK and Europe. The A90 trunk road links Aberdeen with the Scottish motorway network, with Glasgow and Edinburgh just over 2 hours away. The city is also linked to the major towns and cities throughout the UK by rail and Aberdeen Airport provides frequent daily services to the principal UK cities and direct flights to Europe. Further expansion is planned following the recent decision to extend the airport opening hours.

## RETAILING IN ABERDEEN

Retailing in Aberdeen remains buoyant due to the strong local economy driven by the oil and gas sectors. The traditional 100% prime pitch lies between The Mall Centre (formerly The Trinity Centre) and St Nicholas Street. This includes the Bon Accord and St Nicholas Centres.

Union Square Shopping Centre (to the rear of The Mall) opened in 2009, attracting top end retailers and new occupiers to the city including Zara, Apple, Hollister, Mamas & Papas, M&S and Boots.

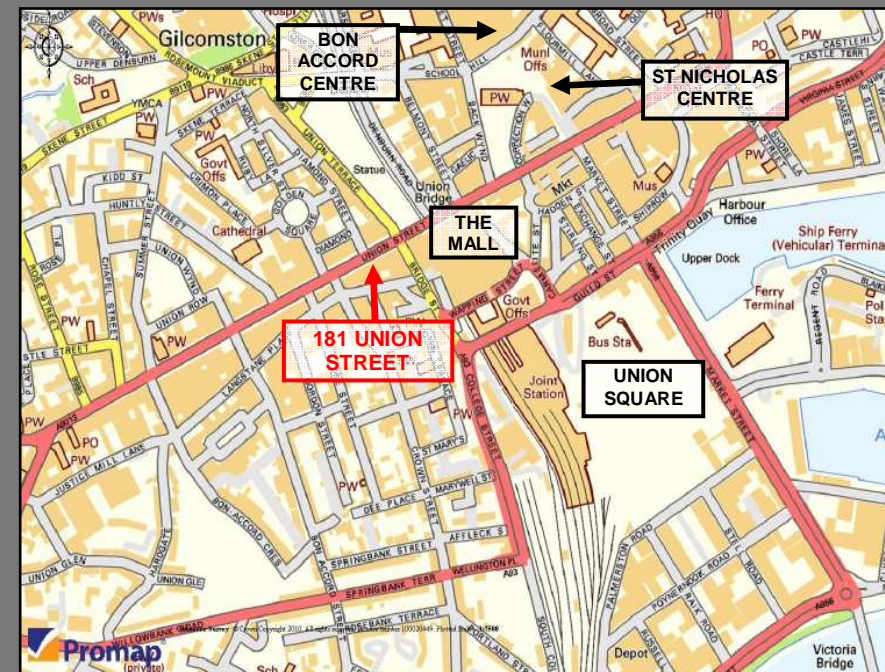
Prime Zone A rents in the city are:-

|                             |                   |
|-----------------------------|-------------------|
| Union Street                | £125.00 - £150.00 |
| Bon Accord Shopping Centre  | £165.00 - £170.00 |
| St Nicholas Shopping Centre | £150.00 - £165.00 |
| The Mall (within centre)    | £92.50            |
| The Mall (Union Street)     | £112.50           |

## SITUATION

The subject property is located on Union Street, one block from The Mall Shopping Centre. This is a very strong retailing location and benefits from significantly lower Zone A rents (£55.00-£60.00) compared to the main shopping centres and 100% prime Union Street.

The combination of high footfall and low rents is attractive to retailers. It also provides investors with good prospects for future rental growth.





## ACCOMMODATION

| Use  | Floor            | NIA sq ft    | ITZA       | Comments  |
|--|------------------|--------------|------------|---|
| <b>181A Union Street – Homestyle Operations Ltd</b>  |                  |              |            |   |
| Retail   | Ground           | 2,603        | 1,294      | Area agreed at 2002 lease renewal and 2007 rent review. |
|  | Basement (Store) | <u>3,840</u> | <u>310</u> |   |
|  | Total            | 6,443        | 1,604      |   |
| <b>181B Union Street – Scottish Ministers</b>        |                  |              |            |   |
| Retail   | Ground           | 1,465        | 739        | 18 cars taken at £1,000 pa each.                        |
|  | Basement         | <u>287</u>   | <u>29</u>  |   |
| Total  |                  | 1,752        | 768        |   |
| Offices  | 1 <sup>st</sup>  | 3,989        |            |   |
|  | 2 <sup>nd</sup>  | 3,961        |            |   |
|  | 3 <sup>rd</sup>  | <u>3,961</u> |            |   |
|  | Total            | 11,911       |            |   |
| <b>4 Windmill Brae – Grampian Joint Police Board</b> |                  |              |            |   |
| Office   | Ground           | 1,252        |            | 2 cars taken at £1,000 pa each.                         |

## DESCRIPTION

The subjects comprise a substantial building with two ground floor retail units (including basement storage) and offices at 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> floors. An 8 person lift serves the upper floors. The premises let to Grampian Joint Police Board are accessed from Windmill Brae, as are the 20 basement car parking spaces.

| Unit      | Tenant                      | Lease Term              | Rent pa         | Rental Analysis   | Rent Review | Comments   |
|-----------|-----------------------------|-------------------------|-----------------|---|-------------|--|
| 181A      | Homestyle Operations Ltd    | 11.11.2002 – 11.11.2017 | £91,670         | £57.15 Zone A   | 11.11.2012  |  |
| 181B      | Scottish Ministers          | 01.02.1978 – 01.02.2018 | £175,000        | Retail £57.15 Zone A<br>Offices £9.50 psf<br>18 cars @ £1,000 | 02.02.2013  | Analysis adopts Zone A rate achieved at 181A Union Street.                                   |
| 181A Rear | Grampian Joint Police Board | 27.12.1978 – 15.05.2015 | £16,000         | £11.18<br>2 cars @ £1,000                                     | -           | Lease recently extended from 16.05.2009 to 15.05.2015.<br>TBO 15.05.2013 on 6 months notice. |
|           |                             |                         | <b>£282,670</b> |   |             |  |

### Scottish Ministers

- Scottish Ministers have been in occupation since 1978. The ground floor and basement is sub-let to Coral Bookmakers Ltd.
- The first floor is currently unoccupied – until recently it was sub-let to Golfscape Golf Lounge.
- The 2<sup>nd</sup> floor has been occupied by the NHS since 2005 when the space was refurbished. The Complaints Team, Clinical Governance Support Unit and Clinical Effectiveness Team occupy.
- The 3<sup>rd</sup> floor is occupied by the NHS Nursing Bank Services Team.

### Grampian Joint Police Board

- Grampian Joint Police Board have occupied these premises for more than 18 years.
- The City Centre Patrol Unit have recently taken occupation (previously occupied by the Fraud Squad). The move has seen the tenant upgrading some of the facilities.
- The lease was recently extended from 16.05.2009 to 15.05.2015.
- The rent increases from £14,500 pa to £16,000 pa on 16.05.2013 with the shortfall covered by the vendor.



## SERVICE CHARGE & MANAGING AGENT'S FEES

Occupational leases allow for the recovery of service charge along with managing agent's fees as follows:-

|                             |                     |
|-----------------------------|---------------------|
| Homestyle Operations Ltd    | 2.5% of annual rent |
| Scottish Ministers          | 5.0% of annual rent |
| Grampian Joint Police Board | 2.5% of annual rent |

## COVENANT

62% of the income is secured to Scottish Ministers.

5% is secured to Grampian Joint Police Board, a division of the Scottish Police Federation, who perform the functions of the police authority in the local government areas of Aberdeen City, Aberdeenshire and Moray.

33% of the income is secured to Homestyle Operations Ltd. In the year to 28 June 2008 they reported a turnover of £387,447,000, a pre-tax profit of £23,299,000 and a net worth of £26,055,000.

## VAT

We understand the property has been standard rated for VAT purposes. We assume, however, that the transaction can be progressed by way of a going concern, thus avoiding the incidence of VAT on the purchase price.

## TENURE

Heritable.

## ARGUS VALUATION

Argus Valuation (previously Circle Visual Investor) files can be emailed to interested parties.

## PRICE

OFFERS OVER £3,550,000 reflecting a net initial yield of 7.53%.

## VIEWING & FURTHER INFORMATION

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### Writings (Scotland) Act

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These particulars have been prepared as at August 2010.