

# Well secured office investment in Salford Quays



DAVID BAROUKH ASSOCIATES

UNITS 1 & 2 DALLAS COURT  
SOUTH LANGWORTHY ROAD, SALFORD QUAYS, MANCHESTER

## INVESTMENT SUMMARY

- **Purchase price of £1,800,000.**
- **Net initial yield of 7.0 % and a reversionary yield of 7.2 %.**
- **9 years unexpired to Ericsson (D&B rating of 5A1).**
- **Sub-let to the Government.**
- **Low capital value of £1,165 per sq m (£108 per sq ft).**
- **Low base rent of £99.81 per sq m (£9.27 per sq ft) overall.**
- **Modern office building of 1,545 sq m (16,637 sq ft) providing a car parking ratio of 1:53 sq m (1:573 sq ft), comprehensively refurbished in 2001 by the sub-tenant.**

## LOCATION

Salford Quays is located within the Greater Manchester conurbation approximately 3.2 kilometres (2.0 miles) west of Manchester City Centre and adjacent to the established industrial location of Trafford Park.

The area has been the focus of significant development since the 1980s when the redundant dockyards were transformed to provide high-quality, modern office and industrial accommodation.

Over £1 billion of private and public sector investment has increased the profile of Salford Quays. As well as business space, the area includes the attractions of The Lowry Centre, the recently developed Galleria Designer Outlet Mall and the Imperial War Museum.

## COMMUNICATIONS

Junctions 2 & 3 of the M602 are approximately 1.0 kilometres (0.6 miles) from the property providing a link to the M60 Manchester orbital motorway. In addition, the A57 (Regent Road) and A5063 (Trafford Road) provide access to the city centre.

Langworthy Metrolink station is approximately 0.4 kilometres (0.25 miles) from the property and provides regular tram services to Manchester Piccadilly railway station every 12 minutes with a journey time of approximately 6 minutes.

Manchester Piccadilly railway station provides regular services to London Euston with a journey time of approximately 2 hours and 30 minutes.

Manchester International airport is approximately 14.0 kilometres (9.0 miles) south of Salford Quays, providing flights to a variety of UK and international destinations.

## SITUATION

The property occupies a prominent corner position at the entrance to Dallas Court.

Dallas Court is a high quality development on the western side of South Langworthy Road close to its intersection with Broadway.

The Lowry Centre and the Galleria Designer Outlet Mall are within five minutes drive. In addition, Greater Manchester's principal industrial location, Trafford Park, is also within close proximity to the property.

The surrounding area comprises predominantly office and industrial occupiers. Local occupiers within Salford Quays include Nike, Marks & Spencer, Barclays Bank, NSPCC, BUPA, Exxon and Avis Europe.

## DESCRIPTION

The property comprises a self-contained office building arranged on ground and one upper floor. Built in 1989, the building is of steel frame construction with brick and steel clad elevations and aluminium framed windows. The property benefits from two external atriums.

The office accommodation was comprehensively refurbished by the sub-tenant in 2001 and benefits from suspended ceilings, carpeting, comfort-cooling, Category II lighting, perimeter-trunking and two 8-person passenger lifts.

The ground floor comprises a reception area and a series of cellular rooms on either side of a corridor around the perimeter. The first floor provides open plan office accommodation. In addition, there are two sets of male and female toilets on each floor.

## ACCOMMODATION

We have been advised that the total net internal floor area of the property is 1,545 sq m (16,637 sq ft).

In addition, the property benefits from car parking for 29 cars providing a car parking ratio of approx. 1:53 sq m (1:573 sq ft).

## TENURE

The interest is long leasehold for a term commencing 23 June 1994 expiring on 21 June 2086 with an option to extend the term





for a further 28 years at nil consideration therefore having effectively **109 years unexpired**. The rent is subject to 5 yearly upward only rent reviews, assessed to 15% of the rack rental value of the property. The superior rent was recently settled at review at £21,100 per annum.

## TENANCY

The property is let in its entirety to **Ericsson Ltd** for a term of 25 years commencing 12 June 1989 and expiring on 11 June 2014, therefore having **approximately 9 years unexpired**. The current passing rent is £154,200 per annum equating to approximately **£99.81 per sq m (£9.27 per sq ft) overall**. The current net income is therefore **£133,100 per annum**. The lease is drawn on full repairing and insuring terms and is subject to five yearly upward only rent reviews.

Ericsson has sub-let the premises to the **The Secretary of State for the Environment, Transport and the Regions** for a term commencing 26 February 2001 and expiring on 1 June 2014 at a rent of £154,200 per annum. The lease is contracted outside the provisions of the Landlord & Tenant 1954 Act.

The Government has the option to determine the lease on 25 December 2006 or 25 December 2011. We understand that the location and building is well suited to the Government's requirements and that the major refurbishment works undertaken in 2001 reflects their commitment to the building.

## COVENANT

Ericsson Ltd have a Dun & Bradstreet rating of 5A1 and have reported the following accounts:

Covenant	Date of Accounts	Turnover	Pre tax profit	Net Assets
Ericsson Ltd	31.12.03	£277,544,000	(£29,519,000)	£68,513,000

Ericsson Ltd is a major product and service provider to telecommunications operators and is also involved in the manufacture and development of fixed and mobile telecommunications systems.

In 2003, as part of an overall group rationalisation of its occupational property, Ericsson vacated a number of its leasehold properties within the UK. This has been accounted for by a one-off deduction of £41.6m in the December 2003 accounts which has impacted on the pre-tax profit figure reported for the year.

## ESTIMATED RENTAL VALUE

We are of the opinion that the estimated rental value of the investment is currently **£158,052 per annum equating to £102 per sq m (£9.50 per sq ft) overall**.

We have been advised of the following recent comparable evidence;

Quays Reach, approximately 0.3 kilometres (0.2 miles) north of Dallas Court on South Langworthy Road, is a recently developed business park. We have been informed that rents in the region of £145 per sq m (£13.50 per sq ft) have been agreed on recent lettings and that capital values equating to £1,507 per sq m (£140 per sq ft) have been achieved for freehold buildings sold with vacant possession.

In addition, we understand that a recent letting of 975 per sq m (10,500 sq ft) on the ground floor of Lowry House situated on the corner of Ohio Avenue and Broadway has achieved £155.87 per sq m (£14.48 per sq ft). This is a recently refurbished 1980s building.

## PRICE

The long leasehold interest can be acquired for a price in excess of **£1,800,000** reflecting a net initial yield of **7.0%** and a reversionary yield of **7.2%** based upon costs at 5.7625%.

## VALUE ADDED TAX

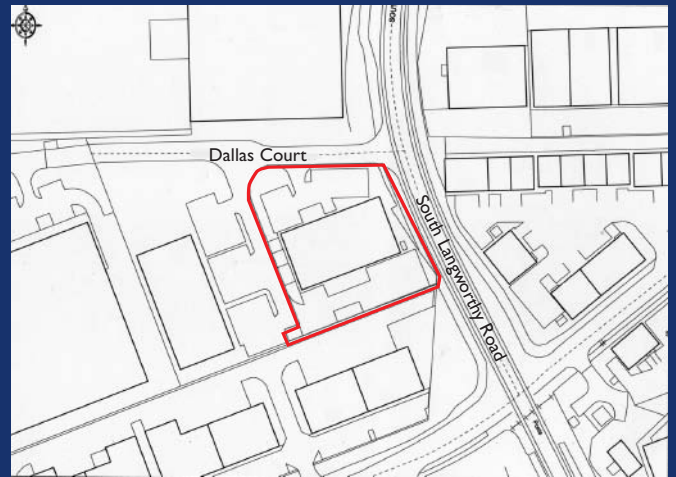
The property has been elected for VAT and will therefore be treated as a Transfer of Going Concern (TOGC).

## INVESTMENT CONSIDERATIONS

- **Salford Quays is an established commercial and residential location and has been the focus of considerable and continued investment since the 1980s.**
- **Well secured income, let to Ericsson Ltd – a D&B 5A1 covenant.**
- **An attractive net initial yield of 7.0% and a reversionary yield of 7.2%.**
- **There may be an opportunity to agree a surrender premium with Ericsson as part of the rationalisation of their occupational property and re-gear the sub-lease with the Government who have already spent a substantial amount refurbishing the property.**
- **Low base rent of £99.81 per sq m (£9.27 per sq ft) overall which is reversionary based on recent evidence at Quays Reach and Lowry House where rents range from £145 to £155 per sq m (£13.50 to £14.48 per sq ft).**
- **Low capital value of £1,165 per sq m (£108 per sq ft) which is a discount to £1,507 per sq m (£140 per sq ft) achieved for freeholds with vacant possession at Quays Reach, also situated on South Langworthy Road.**

**SUBJECT TO CONTRACT AND EXCLUDING VAT**





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