

W CATHEDRAL
Z SQUARE,
O BLACKBURN

LEWIS ELLIS



LONG LET, INFLATION LINKED GOVERNMENT OFFICE INVESTMENT

INVESTMENT CONSIDERATIONS

- Rare opportunity to acquire a **government let, Grade A office building** in the North West of England.
- One Cathedral Square occupies a **highly prominent position**, directly opposite Blackburn railway station.
- The property comprises an attractive six-storey **Grade A office development** built in 2015 with a **BREEAM excellent rating**.
- One Cathedral Square provides a total area of **33,216 sq ft (3,086 sq m)**, comprising **29,237 sq ft (2,716 sq m)** of Grade A office accommodation over first to fifth floors and **3,979 sq ft (370 sq m)** across two ground floor retail units.
- Single let on an overriding lease to Blackburn with Darwen Borough Council (BWDBC) for **25 years** from 19th October 2015, providing approximately **18.5 years unexpired**.
- Total rental income of **£528,896 per annum** which devalues to **£17.25 per sq ft** on the office element.
- Highly attractive review mechanism with **annual reviews** linked to **RPI (collar and cap of 1% - 5%)**.
- Secured against the **undoubted covenant** of Blackburn with Darwen Borough Council (BWDBC).

Offers sought in excess of **£11,530,000 (Eleven Million, Five Hundred and Thirty Thousand Pounds)** subject to contract and exclusive of VAT.

This reflects an **attractive net initial yield of 4.30%**, after deduction of purchaser's costs of 6.71%, equating to a capital value of **£347 per sq ft**.



LOCATION

Blackburn, located in the County of Lancashire, is a major centre within North West England situated approximately 34 miles (55 km) north west of Manchester, 14 miles (23 km) east of Preston and 57 miles (92 km) west of Leeds.



ROAD

Blackburn is strategically located next to junctions 4, 5 and 6 of the M65 motorway which in turn connects to the M61 and M6 motorways (south Preston junction), approximately 10 miles (16 km) to the west. The A666 dual carriageway provides direct access to Bolton approximately 15 miles (24 km) to the south.



RAIL

Blackburn railway station sits in the middle of two key lines (Ribble Valley and East Lancs). The Ribble Valley Line runs north-south towards Darwen and Bolton, terminating at Manchester Victoria (fastest journey time of 53 minutes). The East Lancs Line runs east-west and is served by trains from Blackpool and Preston. London Euston can be reached with a quickest journey time of 2 hours and 30 minutes.



AIR

Manchester Airport, the UK's third largest airport with flights to over 200 destinations is located approximately 41 miles (66 km) south of Blackburn.





MASTERPLAN

In December 2021, Blackburn with Darwen Council announced plans for a £250m concept masterplan for major town centre redevelopment.



TOWN CENTRE HOMES

The council anticipates the build of 500 town centre homes and the creation of 1,000 jobs linked to the development of a new business district.



LIMITED COMPETITION

Limited competing stock of good quality offices in Blackburn and the surrounding areas.



CONNECTIVITY

Fantastic connectivity with Blackburn railway station situated directly opposite the property.



SECURED INCOME

Secure income to Blackburn with Darwen Borough Council (BWDBC), with approximately 18.5 years unexpired.



GROWTH POTENTIAL

Significant potential for rental growth with annual reviews linked to RPI (1% - 5%).



ESG CREDENTIALS

Strong ESG credentials with a BREEAM rating of 'excellent'.



FURTHER REGENERATION

Planning consent has been granted for a new office building Two Cathedral Square, which will complete the final phase of the impressive Cathedral Quarter development.

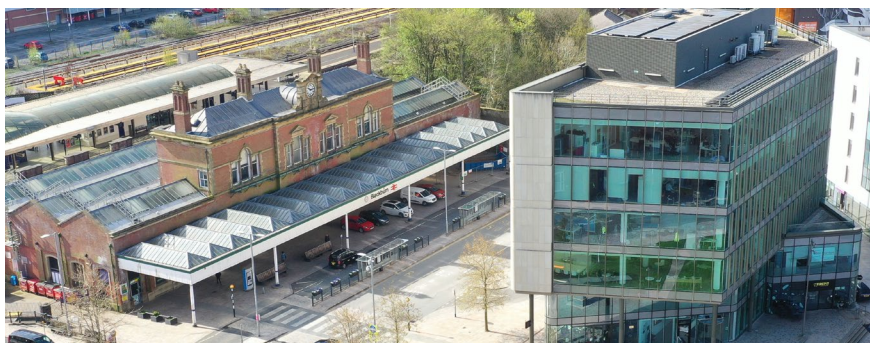


SITUATION

One Cathedral Square occupies a highly prominent position and is situated directly opposite Blackburn railway station. The property is located in the southern part of the town centre on the former Boulevard Bus Station site and is dominated by the impressive Blackburn Cathedral and the wider Cathedral Precinct. Immediately to the west of the property is a Premier Inn hotel, whilst to the east is a Morrisons food store.

The main retail core of the town is located 100m north of the subject property and is anchored by the Mall Shopping Centre which is home to retailers including Next, Sports Direct, Primark and Boots. The town has a strong retail warehouse provision which includes Peel Retail & Leisure Park, Townsmoor Retail Park and Nova Scotia Retail Park which are located to the south of the property on the opposite side of the railway line.

North east of the property, planning consent has been granted for Two Cathedral Square, a brand new office building with a ground floor restaurant. No planned start date has yet been announced for construction.



DESCRIPTION

One Cathedral Square was constructed in 2015 and comprises an attractive six-storey grade A office development. The offices extend to 29,237 sq ft (2,716 sq m) over first to fifth floors and the retail accommodation comprises 3,979 sq ft (370 sq m) over two ground floor retail units. The building is accessed from the main entrance overlooking the Cathedral and attractive public realm.

The property is of steel frame construction with an impressive glazed façade to the north overlooking the Cathedral and a part stone clad/part glazed façade to the south overlooking Blackburn railway station.

The floor plates are well configured around a central core, allowing for excellent flexibility for single or multiple occupation of individual floors. The central core contains the main stairwell, lifts and WC's.

The offices are built to a high quality Grade A specification including:

- VRF air conditioning
- Suspended ceilings with recessed LG7 light fittings
- Full access raised floors (minimum 150mm void)
- Feature glazing
- Male, female and disabled WC facilities on each floor
- Shower facilities
- 2 x 13 person passenger lifts
- Impressive reception fronting the Piazza Square with a two storey high atrium
- CCTV
- Designated car parking

The property has a BREEAM rating of 'excellent' with an emphasis on sustainable design aimed at providing a highly efficient building.

The long leaseholder has the right to use 20 car parking spaces which are currently located within the Jubilee Street car park, situated 100m to the south west of the property.

The property sits on a site of 1.68 acres (0.68 hectares).

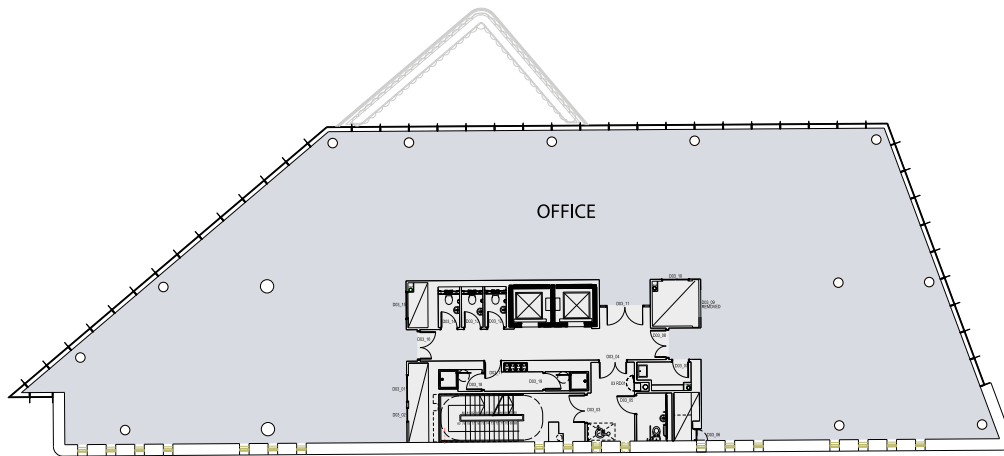


ACCOMMODATION

The property has been measured in accordance with the RICS Code of Measuring Practice (6th Edition) and comprises the following Net Internal Areas (NIA):

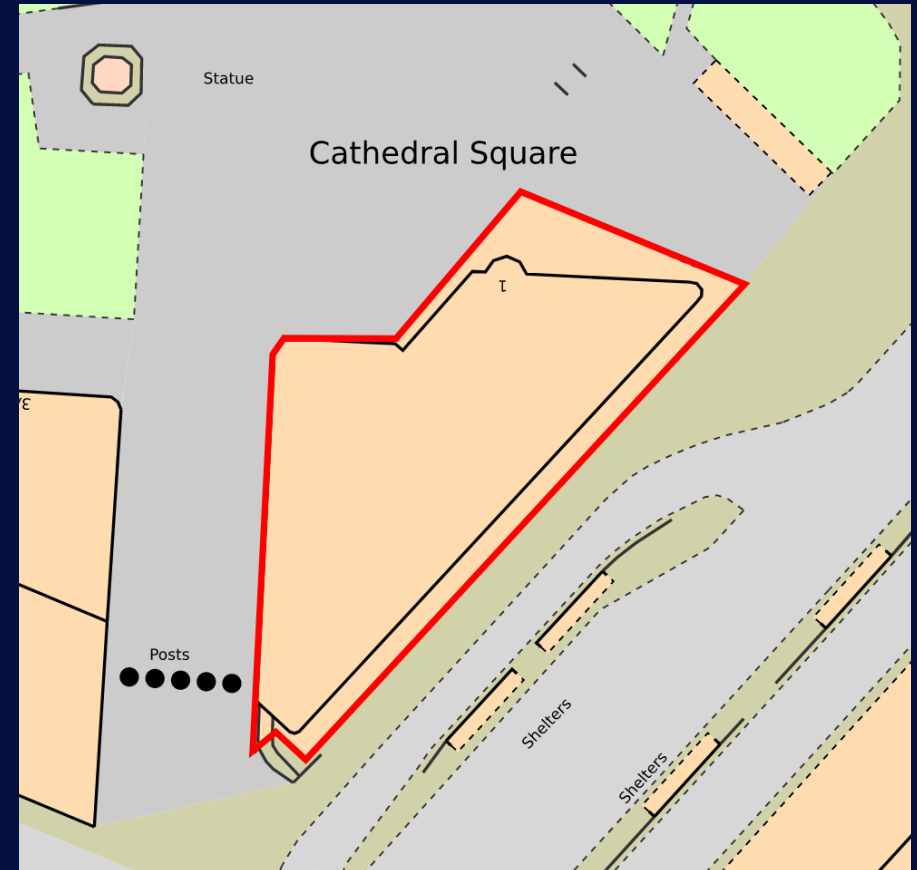
DESCRIPTION	SQ M	SQ FT
Reception	76.7	826
Storage	10.5	113
Ground Floor Retail 1	80.3	864
Ground Floor Retail 2	289.4	3115
First Floor Office	427.3	4599
Second Floor Office	543.4	5849
Third Floor Office	552.9	5951
Fourth Floor Office	552.9	5951
Fifth Floor Office	552.5	5948
Total	3085.9	33,216

INDICATIVE FLOOR PLAN



TENURE:

The property is held long leasehold for a term of 250 years expiring 18th October 2265 at a rent of £1 per annum without review. The current freehold registered proprietor is Blackburn with Darwen Borough Council.



TENANCY

One Cathedral Square is let on a single overriding lease to Blackburn with Darwen Borough Council (BWDBC) on full repairing and insuring terms for 25 years from 19th October 2015, providing approximately 18.5 years unexpired.

The property currently produces a rental income of £528,896 per annum which devalues to £17.25 per sq ft on the office element. The rent is reviewed annually in October (upwards only) in line with the Retail Price Index (RPI) subject to a collar of 1% and a cap of 5%. The lease is held inside the Landlord & Tenant Act 1954.

The council have successfully attracted some strong tenants to the building which has in turn stimulated the local economy. BWDBC occupy the third floor and the remainder of the property is sub-let to multiple sub-tenants which include Arriva Rail North, AWH Legal and FedCap Employment. A sub tenancy schedule is available in the dataroom, together with a stacking plan.

COVENANT INFORMATION

Blackburn with Darwen Borough Council, will be regarded as an undoubted covenant being a government body and will therefore be viewed as institutionally acceptable.



INVESTMENT MARKET

The level of equity primed for investment into regional offices remains high, as confidence in the sector continues to gather momentum with a focus on prime fundamentals.

UK office investment volumes proved resilient in 2021, reaching £18.5 billion, significantly ahead of the £14.9 billion recorded in 2020, accounting for 34% of total commercial investment.

For regional offices, investment volumes reached £8.4 billion at the end of 2021, which represented a 56% increase on 2020 and 17% above the ten-year average. The demand in the market has been primarily focused on prime, well let opportunities. Assets that can immediately satisfy ESG criteria and provide medium to long term income are in high demand.

Recent investment transactions include:

Regional offices are expected to perform well in 2022 with the sector offering comparative value for money relative to other asset classes. A noticeable gap remains between prime and secondary assets with investors focussed on the inflationary/build cost pressures and increasing ESG demands.

A combination of low government and corporate bond yields and an uncertain macroeconomic environment have led institutional investors to seek alternative sources of long-dated secure income to match their liabilities.

Subsequent to the government's easing of restrictions following the Covid-19 pandemic, many workers have returned to the office leading to improved confidence in the sector and an increase in deployment of capital from global and domestic equity, particularly in investments providing long, secure income.

Address	Date	Size (sq ft)	Tenant	Review Clause	WAULT	Price	NIY	Cap Val (psf)	Purchaser
GPU, First Street, Manchester	U/O	130,000	Department of Levelling Up	5 yearly increases in line with RPI (0-4%)	20	£100m	Sub 3%	£769	USS
2 Greenmarket, Dundee	Feb-22	76,807	BT	5 yearly CPI reviews (1-3%)	17.5	£36.6m	4.90%	£477	LXI REIT
One Hardman Boulevard, Manchester	Dec-21	357,756	RBS	Fixed 3% pa rent reviews compounded 5 yearly	16	£292m	4.16%	£816	RBS
Pacific Way, Glasgow	Aug-21	63,000	STV	5 yearly increases at 1.50%	20	£19.2m	5.00%	£305	LXI REIT
Temple Quay House, Bristol	Feb-21	154,191	Secretary of State for Housing, Communities and Local Government	Fixed increase in 2026	16	£78.845m	3.75%	£511	abrdrn
Kildean Business Park, Stirling	Feb-21	77,000	M&G	5 yearly reviews to RPI	20	£23.9m	5.00%	£310	Aviva Investors

VAT

The property is elected for VAT and it is proposed that the sale will be treated as a Transfer of Going Concern (TOGC).

EPC

The property has an EPC rating of 71 (Band B). A copy of the EPC is available in the dataroom.

WARRANTIES

A full pack of warranties was provided in 2015 by the main contractor (Eric Wright Construction) and the lead design consultants including architects, geo-environmental engineers, M&E consultants and structural engineers. Further information is available in the dataroom.

DATA ROOM

There is a data room for the property with key tenancy information, title documents and EPC. Access to it can be obtained via Lewis Ellis.

PROPOSAL

Offers sought in excess of £11,530,000 (Eleven Million, Five Hundred and Thirty Thousand Pounds) subject to contract and exclusive of VAT.

This reflects an attractive net initial yield of 4.30%, after deduction of purchaser's costs of 6.71%, equating to a capital value of £347 per sq ft.

Assuming RPI forecasts taken from Oxford Economics we expect the following growth profile:-

YEAR	RPI GROWTH FORECAST	COLLAR/CAP	RUNNING YIELD
19 Oct 2022	6.1%	5%	4.51%
19 Oct 2023	2.8%	N/A	4.64%
19 Oct 2024	3.2%	N/A	4.79%
19 Oct 2025	3.2%	N/A	4.94%
19 Oct 2026	3.1%	N/A	5.09%



FURTHER INFORMATION

Should you require further information or wish to view the property, please contact either:

JOHN ELLISON

Tel: 0207 493 3330

Mob: 07889 437 236

Email: jellison@lewisellis.co.uk

DAVID KOS

Tel: 0207 493 3330

Mob: 07709 813 267

Email: dkos@lewisellis.co.uk

JOE REECE

Tel: 0207 493 3330

Mob: 07918 589 613

Email: jreece@lewisellis.co.uk

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