

USK HOUSE

GOVERNMENT LET OFFICE INVESTMENT

Usk House, Lower Dock Street,
Newport, NP20 2GD



The Opportunity

- Rare opportunity to acquire a “Mission Critical” Government let office building, let off low rents where the new leases demonstrate a compelling occupational story.
- Located in Newport, one of the largest cities in Wales and the gateway from England into Wales.
- Situated in Mission Court, a modern mixed-use development in the city centre within a short walk of the new Friars Walk Shopping Centre and Newport Train Station.
- Modern, Grade A office building totalling 30,816 sq ft (2,863 sq m) constructed in 2006.
- The property is fully let via two separate leases, to the Probation Service and Tribunal Services (both Government occupiers) with a Weighted Average Unexpired Lease Term of 9.63 years to Lease Expiries (5.07 years to Break Options).
- Let off low rents with a total rent of £308,135 per annum (£10 per sq ft). 5 yearly rent reviews, part linked to RPI (1%-4%).
- Exceptional car parking ratio of 1:835 sq ft.
- Mission Court has become a Public Sector Hub with neighbouring occupiers including Newport Magistrates Court, The Passport Office and Newport City Homes in addition to the occupiers within Usk House itself.
- Strong occupational story with a new lease to the Tribunal Services and the Probation Service expanding into new space and taking a new lease, having been in occupation for a number of years previously.



Seeking offers in excess of **£3,590,000**
(Three Million Five Hundred and Ninety Thousand Pounds) reflecting an attractive **Net Initial Yield of 8.00%**, after deducting purchaser's costs of 7.20%, and a low **Capital Value of £116 per sq ft.**

Location

Newport is equidistant between Cardiff and Bristol and is one of the principal commercial centres in South Wales. It is approximately 15 miles east of Cardiff and 130 miles west of London.

It has a resident urban population of approximately 137,000 and a catchment population within a 30-minute drive time of 571,221.

The city benefits from excellent road communications, situated immediately to the south of Junctions 23 to 28 of the M4 motorway. It benefits from regular intercity rail services with improved journey times of just 1 hour and 30 minutes to London Paddington following the electrification of the rail line in 2019.



Connectivity



Distance by road

Cardiff	15 miles
Swansea	30 miles
Bristol	50 miles
Birmingham	111 miles
London	136 miles

Train times

Cardiff	12 mins
Bristol	18 mins
Reading	69 mins
London	94 mins
Birmingham	106 mins
Manchester	190 mins

/ For reference purposes only /

Situation

The property is located on the southern edge of Newport city centre and is situated on Lower Dock Street, which is accessed from the A4042 (Usk Way). Junction 26 of the M4 motorway is approximately 1.5 miles to the north via the A4042. Newport Train Station is a 15 minute walk from the property and provides a regular service to London Paddington (94 mins) and Cardiff Central (12 minutes).

The property forms part of the Mission Court development, which comprises four office buildings and residential accommodation. In addition to a handful of private sector occupiers such as Whitehead Building Services and UHY Hacker Young Accountants, Mission Court has become a public sector hub with Newport Magistrates Court, Newport City Homes and the Passport Office all located there in addition to the Probation Service and Tribunal Services who occupy the subject property.

There is a large supermarket directly opposite as well as a Greggs, Costa and Bannatyne's Health Club in the immediate vicinity. The University of South Wales campus, Friars Walk Shopping Centre and other city centre amenities are also located within a short walk.

 GREGGS

 COSTA
COFFEE

 friars
walk

 University of
South Wales
Prifysgol
De Cymru

 Bannatyne



Description

The subject property is a prominent 3 storey detached office building constructed in 2006 and comprising 30,886 sq ft of Grade A offices. The property is of steel frame construction with cavity block wall elevations with an external render finish.

The building offers flexible floor plates arranged as two wings either side of a central core with two lifts and male and female WCs on each floor. There are two principal entrances to the front and rear of the building with a further side entrance utilised solely by the Probation Service occupier.

The specification includes:



Fully accessible
raised floors



VRF air conditioning



Suspended ceilings
with recessed lighting



2no. x passenger lifts



Floor to Ceiling height
of 2.7m



Disabled access
facilities



Rear surface car
parking for 37
vehicles 1:835 sq ft



Generous reception
with full height atrium

The property occupies a site of approximately 0.588 acres
(0.238 Hectares).

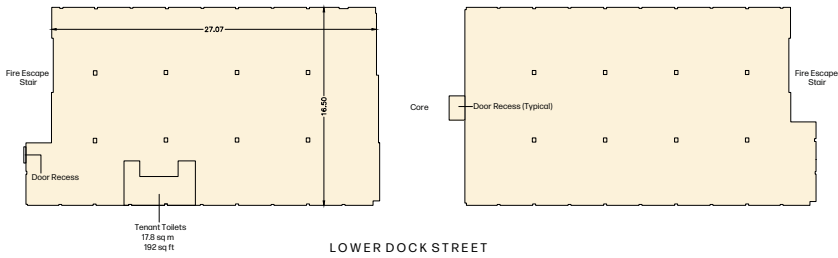
Accommodation

The unit comprises a total Net Internal Area of 30,816 sq ft (2,869 sq m). The property has been measured in accordance with the RICS Code of Measuring Practice.

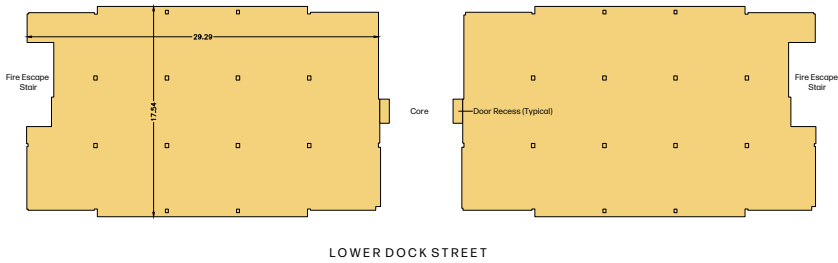
Area	Sqm	Sq ft
Ground floor	918.00	9,887
First floor	972.00	10,465
Second floor	972.20	10,464
Total	2,862	30,816



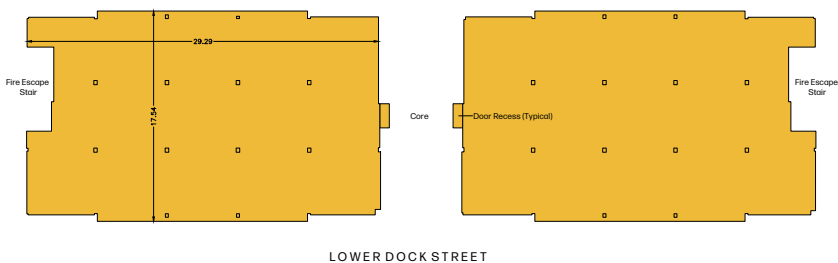
Ground Floor



First Floor



Second Floor



/ For Identification Purposes Only /



Tenure

The property is held by way of a 125 year Long Leasehold from 20th December 2006 at a peppercorn rent without review. The Freeholder is Newport City Council.

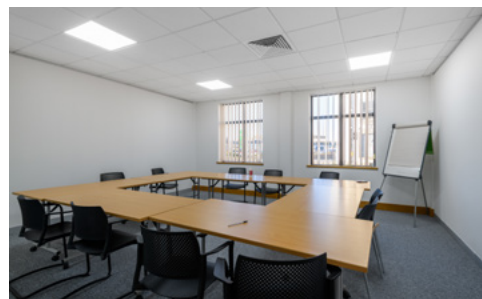
Tenancy Schedule

The property is fully let, via two Full Repairing & Insuring leases, with a Weighted Average Unexpired Lease Term of 9.63 years to Lease Expiries (5.07 years to Break Options) in accordance with the following tenancy schedule:

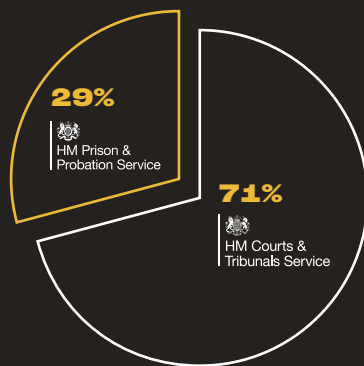
Floor	Tenant	Area sq ft	Lease Start	Break Date	Rent Review	Lease Expiry	Rent PA	Rent PSF	Comment
GD & 1 st	Secretary of State for Communities and Local Government (operating as Probation Service)	20,424	28 July 2022	28 July 2027	28 July 2027	27 July 2032	£219,208	£ 10.73	Rent free of 6 months from lease commencement.
2 nd	Secretary of State for Housing, Communities and Local Government (operating as HM Courts & Tribunal Service)	10,462	27 October 2021	28 April 2028	26 October 2026	26 October 2031	£88,927	£ 8.50	Rent review on 5th anniversary. RPI (1%-4%). 15 months initial rent free. 9 month if the tenant doesn't break.
Total		30,886		WAULT 5.19		WAULT 9.76	£308,135	£ 9.98	

Service Charge

Service Charge information available upon request.



Covenant Profile



HM Prison & Probation Service

Secretary of State for Communities and Local Government (operating as Probation Service) – 71% of Income

The Probation Service is a statutory criminal justice service for England and Wales, mainly responsible for the supervision of offenders in the community and the provision of reports to the courts to assist with sentencing. The subject property is used as administrative offices, meeting space for partner organisations and consultation rooms with reception and waiting room with separate side access. The Probation Service have been in occupation since 2009 and have recently regeared and taken additional space demonstrating their commitment to the location.



HM Courts & Tribunals Service

Secretary of State for Housing, Communities and Local Government (operating as HM Courts & Tribunal Service) – 29% of Income

HM Courts & Tribunals Service is responsible for the administration of criminal, civil and family courts and tribunals in England and Wales. HMCTS is an executive agency, sponsored by the Ministry of Justice. The subject property is the fifth Service Centre in the UK, and the first in Wales, joining those already established in Birmingham, Stoke on Trent, Loughborough and Salford and will support over 100 jobs when they are fully operational.

As Government entities both covenants are of undoubted financial strength.

Rental Comparables

Date	Property	Area	Rent	Tenant	Comments
Jun 2021	Imperial Courtyard, Imperial Park, Newport	2,034 sq ft	£15.75 psf	ABC Digital	Out of town business park.
Feb 2021	Nexus House, Usk Way, Newport	6,320 sq ft	£14.50 psf	Passport Office	Offices located within Mission Court, adjacent to the subject property.
Oct 2019	Chartist Tower, Newport	12,136 sq ft	£13.00 psf	Newquest Media Group Ltd	City centre refurbished offices within 1960's Tower
Mar 2019	Nexus House, Usk Way, Newport	12,048 sq ft	£11.95 psf	Newport City Homes	Offices located within Mission Court, adjacent to the subject property.

Investment Comparables

Date	Address	Tenant	Term Certain	Price	NIY	Capital Value PSF	Buyer	Comments
Apr 2022	Gyle Square, Edinburgh	Scottish Ministers	8.0 years	£53.10m	5.21%	£348	Assura Aspire Ltd	Open market reviews.
Mar 2022	Matrix Business Park, Swansea	Multi-let (75% NHS)	6.5 years	£4.90m	8.00%	£116	NHS	Open market reviews. Multi-let with 75% let to Government Entities.
Dec 2021	Nexus House, Newport	Welsh Ministers	11.5 years	£15.60m	5.59%	£331	Equitix	Adjacent to the subject property. Annual RPI linked reviews.
Sept 2021	Verity House, Edinburgh	Convention of Scottish Local Authorities	8.8 years	£8.45m	4.61%	£474	Westerwood Ltd	
June 2020	New Aspect Park, Hamilton	Scottish Power	9.75 years	£15.20m	6.69%	£233	Martley NAH Limited (M7)	Prime Business Park Location.

VAT

The property is elected for VAT. It is anticipated that the transaction will be treated as a Transfer of a Going Concern (TOGC).

Investment Considerations

- Rare opportunity to acquire a fully let office let to two Government occupiers.
- Strong occupational story with the Probation Service having been in occupation since 2009, recently regeared and taken additional space.
- The HM Courts & Tribunal Service have invested heavily in their fit out having selected the property as their fifth UK service centre and first in Wales.
- Reversionary rental tone being let off low rents, below the surrounding occupiers, and part linked to RPI.
- Attractive yield profile and low Capital Value, which is significantly below replacement cost.

Proposal

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Further Information



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Designed and produced by **MartinHopkins**

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