

EDF ENERGY 334 OUTLAND RD

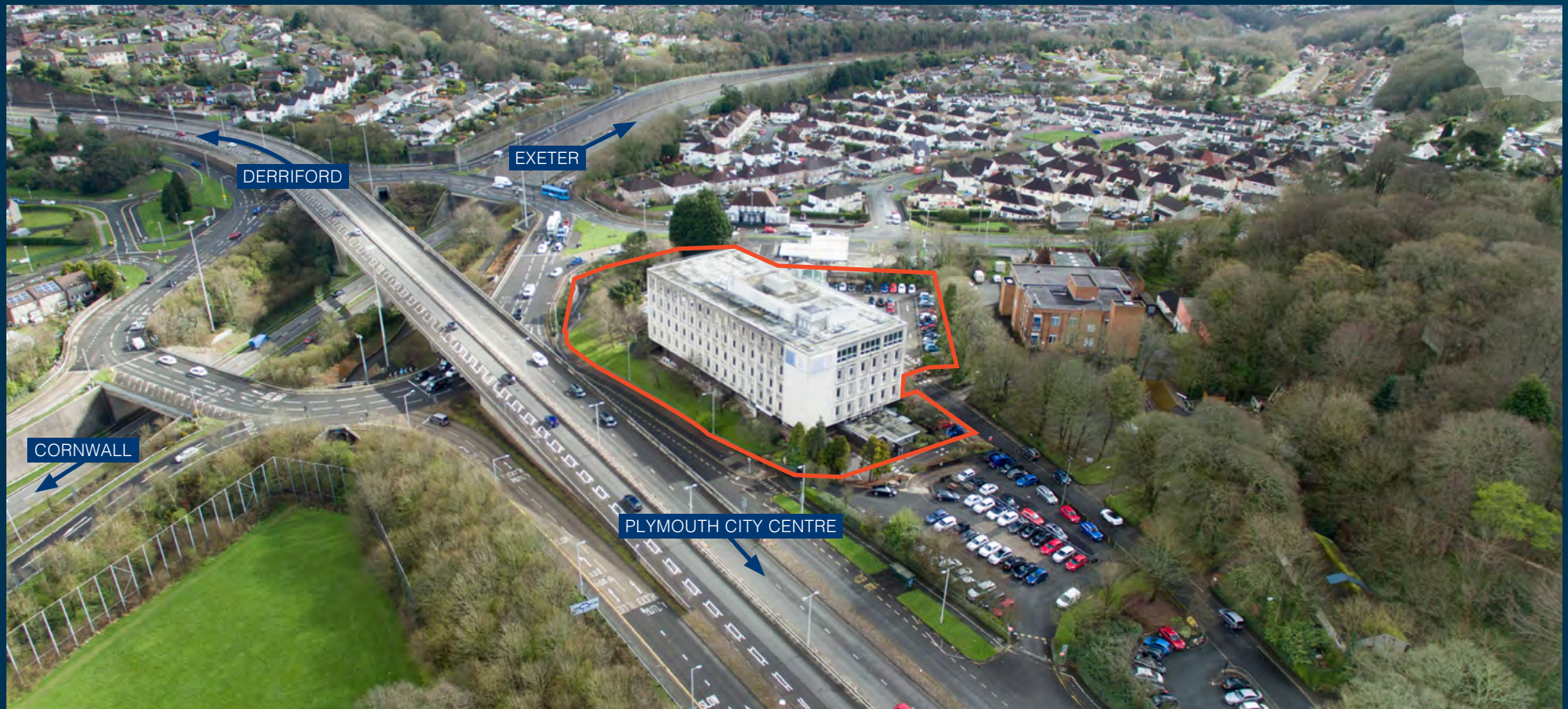
P L Y M O U T H P L 3 5 T U



L O N G L E A S E O F F I C E I N V E S T M E N T O P P O R T U N I T Y

INVESTMENT SUMMARY

- Prominent location on A38/A386 intersection, approximately 2.5 miles from Plymouth City Centre.
- Detached office building totalling approximately 57,157 sq ft NIA.
- Building incorporates strategically important data centre for EDF.
- Current rental income of £500,000 per annum exclusive.
- Low base rent of only £8.75 psf overall.
- 9 years unexpired to undoubted 5A1 covenant of EDF Energy Plc.
- Offers are sought in excess of **£5,850,000 (Five Million, Eight Hundred and Fifty Thousand Pounds)** subject to contract and exclusive of VAT.
- Attractive **net initial yield of 8.02%**.
- Low capital value of only **£102.35** psf overall.



LOCATION

Plymouth is a regional centre located in the south west corner of Devon, and is the gateway to Cornwall. The city has a population of approximately 262,700 and is the largest urban centre on the South West Coast. With an estimated catchment area of 465,000, Plymouth is ranked 25th in the 100 PROMIS centres in terms of catchment sizes.

Plymouth is accessed from the north east via the M5 and A38, and the A38 continues west linking the city with the rest of the South West Peninsular. Exeter is located 45 miles to the north east with Bristol and London 120 miles and 200 miles distance respectively.

Plymouth's railway station is situated on the northern edge of the city centre and provides regular direct rail services to Exeter (55 minutes), Bristol (2 hours 15 minutes) and London (3 hours).

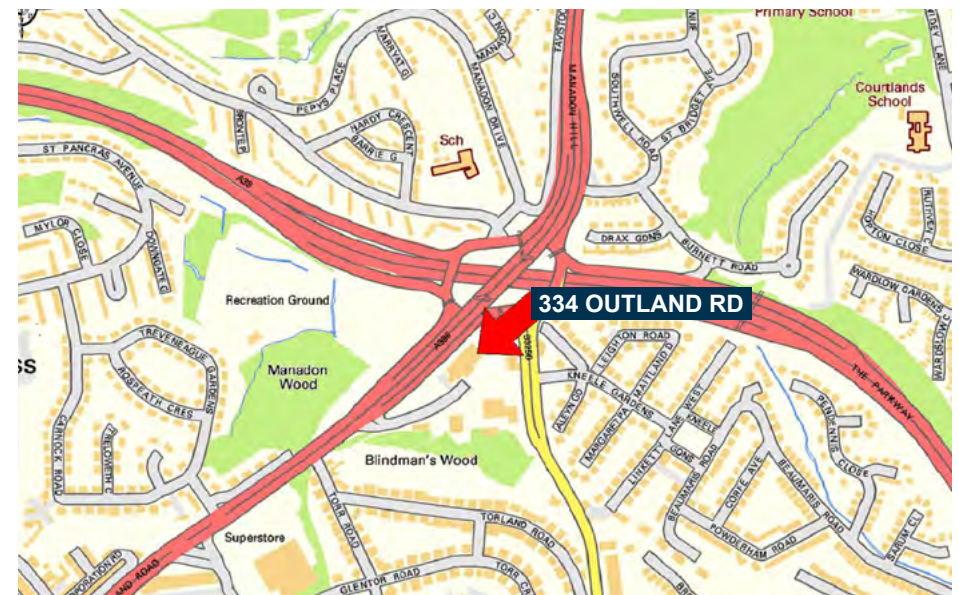
Plymouth's economy is strongly influenced by naval and marine activity having the largest operational naval base in Western Europe. The city's local economy has improved its overall balance with a shift towards the service sector. The University of Plymouth is a major employer with an increasing student population of approximately 60,000 students, ranking it the fifth largest in the country. Tourism is another major influence on the Plymouth economy with an estimated 11.8 million domestic and foreign tourists visiting the city annually, injecting an estimated £360 million into the economy.



SITUATION

The EDF Building is prominently and strategically located adjacent to the Manadon junction at the intersection between the A38 and A386 Outland Road, approximately 2.5 miles north of Plymouth City Centre. The A38, also known as the Devon Expressway runs from Bodmin in Cornwall to Mansfield in Nottinghamshire, and provides one of the 2 main access roads for Devon & Cornwall.

The property has easy access to the Tamar Bridge and Cornwall 5 miles to the west, Plymouth city centre 2.5 miles to the south, Derriford Hospital 2 miles to the north, and Marsh Mills 1 mile to the east, which provides the main retail warehousing for the city. Nearby occupiers include BT, Land Registry, B&Q, Future Inns, Hellerman Tyton, and the NHS.





DESCRIPTION

The subject property is a large, detached, multi-storey concrete frame office building built in the 1970's. The specification includes:

- Concrete frame construction with cantilevered first floor slab
- Combination of precast concrete panels and facing brickwork elevations
- Comfort cooling system
- Raised floors and suspended ceilings with predominantly Cat 2 lighting
- Two loading bays accessed from the main car park
- Male, female and disabled toilets

The building has been extensively fitted out by EDF to provide data centre and call centre functions. This is a strategically important building for them, and they have undertaken significant improvements to provide extra security and power supply in the last 12 months.

Externally there is the provision for 161 designated car parking spaces. An additional 75 space car park is situated adjacent to the building in different ownership and is let separately by EDF. The site comprises 1.69 acres (0.683 hectares).



ACCOMMODATION

The following areas were agreed at the 2011 rent review between landlord and tenant:

Demise	Use	Sq m	Sq ft
Basement	Storage areas	236.99	2,551
Ground	Reception office	142.05	1,529
Ground	Offices	42.36	456
Ground	Stores/post/works	311.13	3,349
Ground	Loading	33.44	360
Ground	Plant/stores	118.91	1,280
First	Offices	1,099.22	11,832
Second	Offices	1,099.22	11,832
Third	Offices	1,099.22	11,832
Fourth	Offices	1,127.46	12,136
Total		5,310.01	57,157

TENURE

Freehold.

TENANCY

The property is let in its entirety to EDF Energy Plc by way of a 25 year lease from 25th March 2001, expiring on 24th March 2026. The lease is on a full repairing and insuring terms subject to five yearly, upward only rent reviews, the next being in March 2021. The 2016 rent review has recently been concluded, and the rent was increased to £500,000 per annum which equates to £8.75 psf.

COVENANT STATUS



EDF Energy Plc (Company No. 02366852) is an undoubted covenant and has a Dun & Bradstreet rating of 5A1 representing minimal risk. The recent audited accounts are summarised below.

Floor	31/12/2015 (£m)	31/12/2014 (£m)	31/12/2013 (£m)
Turnover	7,600.8	5,678.1	5,626.8
Pre-tax Profit	-353.3	22.7	-46.3
Net Worth	2,630.6	2,870.5	2,837.5

EDF's operations include electricity generation and the sale of gas and electricity to homes and businesses throughout the UK. The organisation employs 13,158 people and handles approximately 5.7 million customer accounts. EDF Energy is currently constructing the first new nuclear power station at Hinkley Point, Somerset in the UK for more than 20 years. It will have the capacity to generate safe, reliable, low-carbon electricity, enough to power around 6 million homes.

Hinkley Point will create over 25,000 new employment opportunities and bring numerous economic and social benefits to the South West. Nuclear energy is the only proven low-carbon option for providing the predictable electricity generation the UK needs. Further to this, the project will provide 7% of the UK's generation needs and bring lasting benefits to the UK economy. It also highlights the company's continued commitment to the UK.



MARKET COMMENTARY

The Plymouth office market has continued to improve over 2016 with a real lack of good quality office accommodation. Permitted development rights allowing the change of use from office to residential and a number of student accommodation conversions have resulted in a significant decrease in overall levels of supply. The reduction in supply, coupled with consistent demand has led to increased rental levels with prime headline rents currently between £13.00 - £13.50 psf. The most notable letting is Sitel taking

44,412ft at The Ship, Derriford. The space was recently let on a new 10 year lease/5 year break at a rent of £12.27 psf.

The property offers an attractive yield profile for the income length and covenant strength, and we have included a schedule of yield comparables below:

Date	Address	Size (sq ft)	Tenant	Unexpired Lease Term	Price (£m)	NIY %
Q1 2017	540 Bristol Business Park, Bristol	7,582	Capita IT Services	9	£1.93	6.34%
Q4 2016	Emperor House, Exeter Business Park	22,616	Liverpool Victoria	10	£6.291	6.5%
Q4 2016	Washington House, Swindon	26,869	Openwork Holdings Ltd	11	£6.25	6.5%
Q4 2016	Endsleigh Business Park, Cheltenham	67,776	Endsleigh Insurance Services	11	£9.78	8.25%
Q3 2015	440 Bristol Business Park, Bristol	21,074	Motability Operations Limited	11.25	£6.826	5.75%
Q1 2015	C371 Plymouth International, Plymouth	15,700	Plymouth Hospital's NHS Trust	5.4	£2.050	8.61%

EPC

The property has an EPC rating of F146.

VAT

The property is elected for VAT and therefore VAT will be payable on the purchase price. We would anticipate the sale to be dealt with by way of a Transfer of a Going Concern (TOGC).

PROPOSAL

Offers are sought in excess of **£5,850,000 (Five Million, Eight Hundred and Fifty Thousand Pounds)**, subject to contract and exclusive of VAT, which reflects an attractive **net initial yield of 8.02%** after costs of acquisition. This reflects a low capital value of **£102.35 psf** overall.



FURTHER INFORMATION

For further information, please contact the sole agent;

Simon Bennett

JLL

Tel: +44 (0)117 930 5717

simon.j.bennett@eu.jll.com

Oliver Paine

JLL

Tel: +44 (0)117 930 5718

oliver.paine@eu.jll.com

Ross Wigley

JLL

Tel: +44 (0)117 930 5792

ross.wigley@eu.jll.com



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