

FOR SALE
HIGH YIELDING
MIXED-USE CITY CENTRE
INVESTMENT OPPORTUNITY

THEcube | K2

THE CUBE, 123 ALBION STREET AND
K2, 125 ALBION STREET, LEEDS





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INVESTMENT SUMMARY

- Prime mixed-use property within 10 minutes' walk of Leeds Rail Station
- **Freehold island site**
- Significant alternative use value
- **100 % occupied with tenants including Secretary of State, Capita and Luda Bingo**
- Average weighted unexpired lease term of 3.5 years to expiries and 2.8 years to breaks
- 91% of income secured against either low risk or government covenants
- Significant alternative use value and potential to re-gear existing leases
- **Passing rents of only £18.00–£22.00 psf compared to prime Leeds at £29.00 psf**
- We are instructed to seek offers in excess of **£12,250,000** subject to contract and exclusive of VAT. A purchase at this level reflects a Net Initial Yield of **12.50%** assuming purchase costs of 6.71% and a low capital value of:
 - Leisure £195 per sq ft
 - Office £142 per sq ft
 - Overall £157 per sq ft

Leeds is the third largest city in the UK and the principal city of the Yorkshire and Humberside region. The city is home to a population of approximately 770,000 people and 2.2 million people within a 30 minute drive-time. Government investment into the Northern Powerhouse will see the City's partnership with Liverpool and Manchester, transform Leeds into a truly global city.

ECONOMY

Leeds is the UK's largest city region and economy outside London with a GVA of £64.6 billion economy generating 5% of the UK's economic output.

The city is the UK's main financial and business services centre outside the City of London. This sector generates over £13 billion every year and is projected to grow by 51% by 2022 with currently over 250,000 people employed. The city region has the largest workforce outside of London and is the fastest growing in the North of England. The working age population is set to increase by 26% between 2006 and 2031 demonstrating the high levels of growth expected. Over the last 20 years more jobs have been created in Leeds than any other UK city outside of London. This trend is to continue as Leeds will see the second largest increase in jobs in core cities between 2013 and 2023.

Leeds is home to eight universities giving the largest concentration of universities in Europe, producing some 36,000 graduates a year. Over 35% of the working population is educated to degree level and the University of Leeds features in both the World and European rankings.

Leeds has seen significant inward investment in recent years with the completion of Land Securities' £350 million Trinity Leeds scheme, the opening of Leeds City Council's 13,500 capacity £60 million First Direct Arena and Hammerson's £150 million, 452,000 sq ft retail and leisure scheme, Victoria Gate, anchored by John Lewis.

Most recently, Leeds' highlight commercial transaction has been the 380,000 sq ft pre let of offices in Wellington Place to the Government Property Unit Hub on a 25 year lease. This transaction is predicted to bring 6,000 civil servants into Leeds City Centre by 2020 and is the largest pre-let transaction outside London in the past 10 years.



An unrivalled location at the heart of the country

CONNECTIVITY



The proposed HS2 line will be a fundamental driver of economic growth for Leeds, increasing capacity and reducing journey times to London to 82 minutes. The proposed new platforms are set to adjoin the existing station, creating the largest station in the North. HS2 is forecast to deliver 19,700 potential new jobs and boost the Leeds City Region economy by £7.8 billion a year.



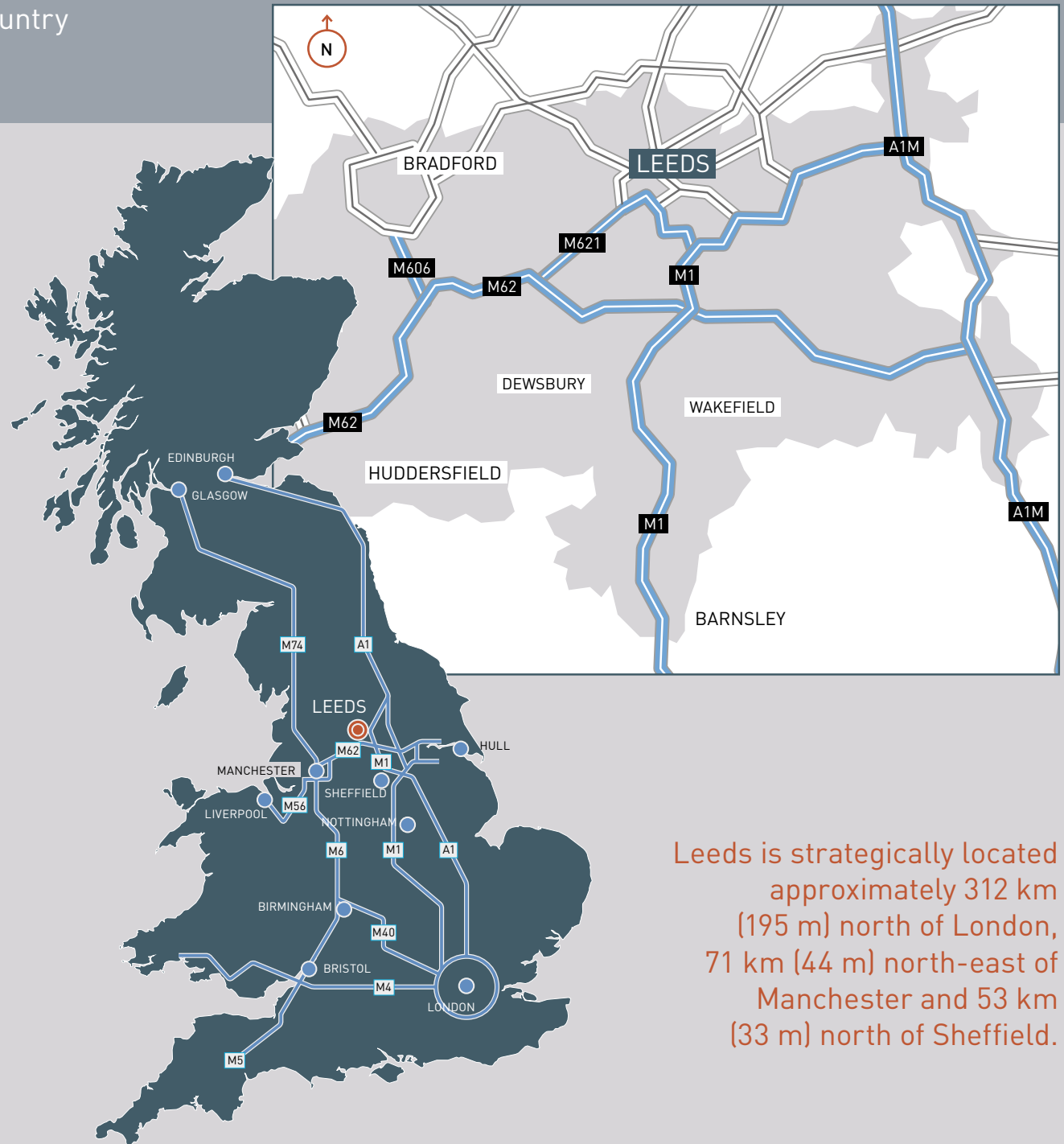
Leeds is strategically located approximately 312 km (195 m) north of London, 71 km (44 m) north-east of Manchester and 53 km (33 m) north of Sheffield. The City has excellent road communications being located just 9.6 km (6 m) from the apex of the M1/M62 motorway intersection, providing direct access to the east and west coast conurbations. The A1 trunk road, connecting London with Edinburgh, passes approximately 16 km (10 m) to the east of the city.



Leeds City Railway Station has undergone a modernisation programme with the opening of the new £20 million south entrance in January 2017. It is the third busiest rail station in the UK outside of central London with an estimated 100,000 passengers using it daily. The station provides direct rail routes to national destinations and the electrified east coast intercity rail service to London (Kings Cross) with a normal fastest journey time of approximately 2 hours.



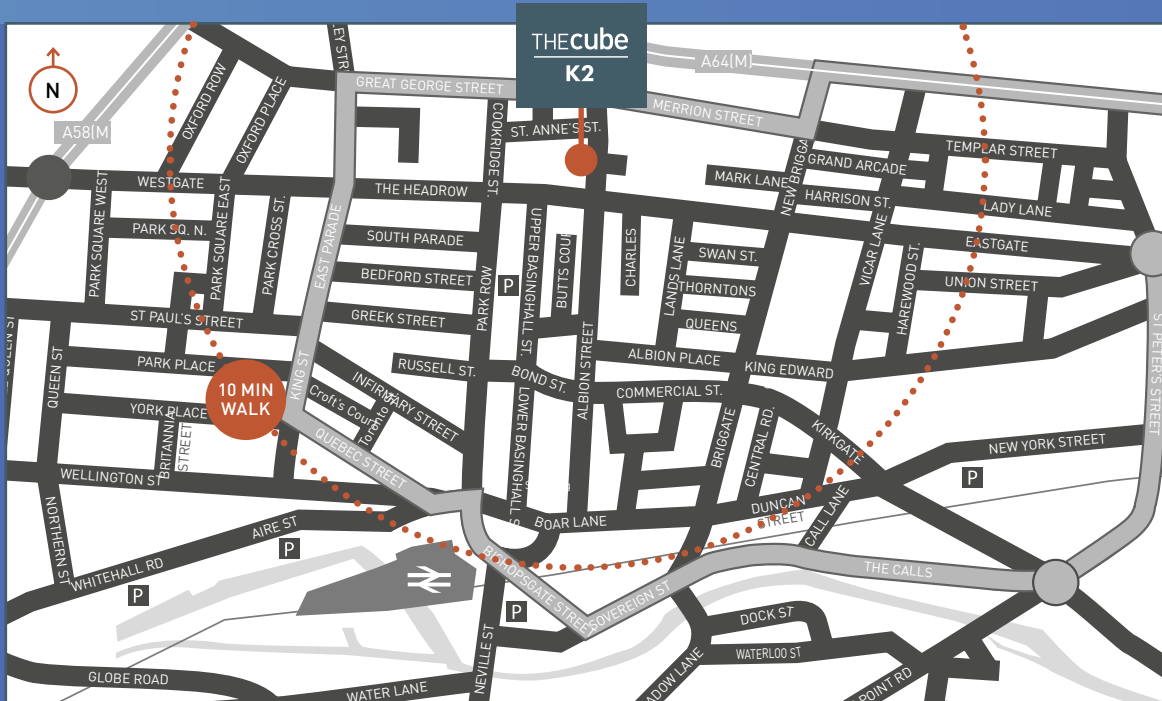
Leeds Bradford International Airport is situated approximately 14.5 km (9 m) north of the City Centre providing international and domestic flights to over 65 locations. The airport currently caters for around 3.5 million passengers per annum and this is forecast to expand to approximately 8 million passengers by 2026. The airport has trebled in size since 1996 and its continued expansion is a key factor in the development of the Leeds economy.



Leeds is strategically located approximately 312 km (195 m) north of London, 71 km (44 m) north-east of Manchester and 53 km (33 m) north of Sheffield.

The property is situated on the edge of the newly defined 'Innovation District' of Leeds City Centre and is located equidistant to Leeds' retail and office core.

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SITUATION

The property fronts several major bus routes and the main arterial road of Woodhouse Lane extending to North Leeds, Great George and Merrion Street as well as Albion Street which extends into the retail and office core.

The property is approximately 10 minutes' walk from Leeds Railway Station and located less than 1 minute walk from the Merrion Centre, The Light and St Johns Centre, with the Merrion Centre reporting 11.5 million visitors in 2016 and St Johns reporting a footfall of circa 8.5 million people per annum. Additional Leeds shopping centres include Trinity Leeds and Victoria Gate approximately 4 minutes' walk from the property.

The location benefits from numerous leisure and recreational facilities nearby with the immediate retail and leisure occupiers being Turtle Bay, Vue Cinema, Prezzo and The Picture House. More notably, the location has benefitted from significant investment in recent years with the £60 million development of Leeds First Direct Arena which holds 13,500 people. This has acted as the catalyst for subsequent development projects with new student developments along Woodhouse Lane for both residential and education facilities.



DESCRIPTION

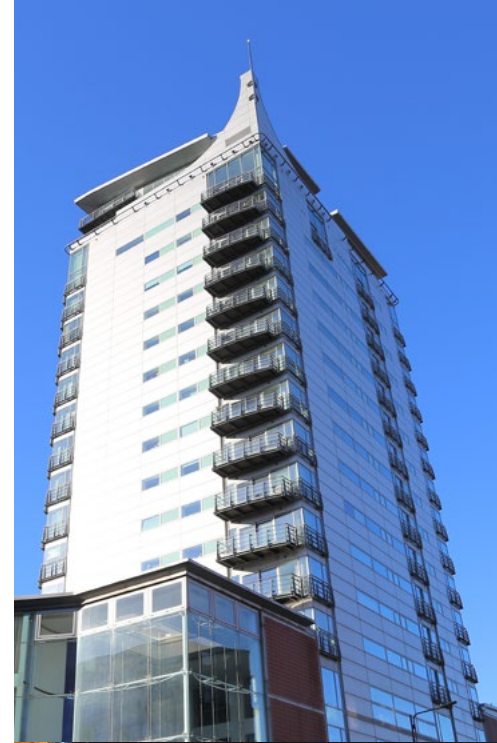
The Cube comprises 22,253 sq ft leisure accommodation on the ground floor with an additional 55,519 sq ft Grade A office accommodation over the first, second and third floors. The ground floor benefits from a triple height glazed entrance with an internal atrium. The office specification is as follows:

- Four pipe fan coil comfort cooling system
- Fully raised access floors with 150mm clear void
- Metal tiled suspended ceiling with integrated LG3 Lighting
- Two 16-person Otis passenger lift
- Male, Female, and Disabled WC facilities on each floor

K2 comprises 90 apartments over Floors 4 to 16.

TENURE

Freehold



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Secure parking is provided with 39 spaces attributed to the office accommodation, a ratio of 1.1423 sq ft



ACCOMMODATION

The property has been measured in accordance with the RICS Code of Measuring Practice (Sixth Edition) and provides the following floor areas. A measured survey is available for assignment.

FLOOR	USE	SQ M	SQ FT
Fourth (GIA)	Plant Room	225.4	2,426
Third	Office	1,598.1	17,202
Second	Office	1,794.6	19,317
First	Office	1,765.2	19,000
Ground Floor	Reception	116.7	1,256
Units 1 & 2 (GIA)	Leisure	494.4	5,322
Unit 3 (GIA)	Leisure	531.3	5,719
Unit 4 (GIA)	Leisure	1,041.6	11,212
Basement (GIA)	Plant & 39 Car Spaces	182.1	1,960
Total		7,749.4	83,414
Office NIA		5,157.9	55,519
Leisure GIA		2,067.3	22,253



TENANCIES

The property is multi-let in accordance with the tenancy schedule below and produces a rental income of £1,634,017 per annum.

Average weighted unexpired term to expiry = 3.5
Average weighted unexpired term to break = 2.8

DEMISE	TENANT	AREA SQ FT	LEASE START	LEASE EXPIRY	BREAK	RENT	OVERALL RENT (PER SQ FT)	COMMENTS
4th to 16th Floors & Penthouse	Persimmon Homes Ltd	0	18/03/03	17/02/2158		£0		
2nd & 3rd Floors & 29 CPS	Capita Customer Management Ltd	36,518	21/09/04	20/09/19		£857,842	£21.90 plus 2 car parking spaces @ £2,000	
Part 1st Floor & 8 CPS	Capita Customer Management Ltd	8,455	03/03/06	20/09/19		£199,370	£21.68 plus 2 car parking spaces @ £2,000	
Part 1st Floor & 2 CPS	First Secretary of State	10,545	20/02/04	19/02/19		£197,695	£18.36 plus 2 car parking spaces @ £2,000	Terms agreed for a reversionary lease. 5 year term with break at year 3. Detail available on request.
Unit 4	Jungle Rumble (Leeds) Limited	11,212	20/11/17	19/11/32		£125,000	£10.02	Tenant granted 12 month rent free period. Landlord to top up. 6 month rental deposit held by landlord.
Unit 3	Hard Rock Café (UK) Ltd	5,719	29/08/02	28/08/22		£134,110	£22.40	Tenant has sub-let to Players Bar.
Units 1 & 2	Luda Bingo Limited	5,322	07/09/17	06/09/32	06/09/22 06/09/27	£110,000	£24.15	Rent reviewed to RPI subject to a 2%/4% cap & collar. Mecca Bingo act as Guarantor.
ATM	Notemachine UK Ltd	0	25/06/15	24/06/25		£10,000		
Basement Substation	Northern Powergrid (Yorkshire) Plc	0	17/10/73	16/10/33		£0		
TOTALS		77,772				£1,634,017		

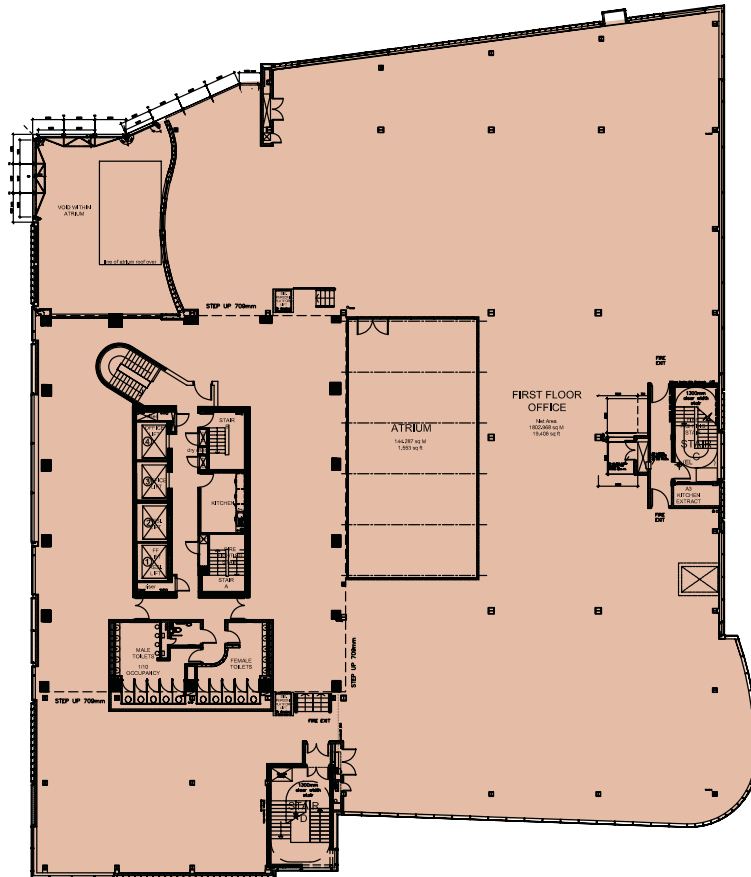
Leisure Income= £369,110 per annum	22.59% of total income
Office Income= £1,264,907 per annum	77.41% of total income
Total Income= £1,634,017 per annum	100%

A POTENTIAL FOR ALTERNATIVE USE

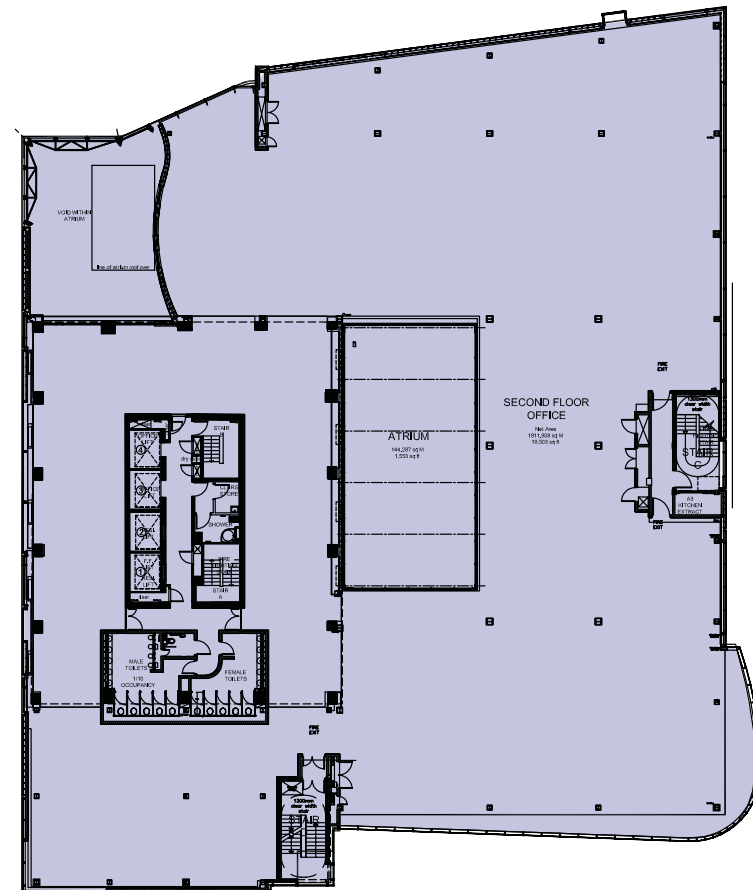
The Cube's central location and its proximity to Leeds Arena, Leeds University and the retail core provides excellent potential for alternative uses as the following nearby examples illustrate:

- St Albans Place and Belgrave Gardens - 376 residential apartments
- 67 – 83 Cookridge Street - 8 storey student residential, 96 studio apartments and two units for A1-A3 use
- Hume House - 754 residential apartments
- Tower North Central - 1020 bed student accommodation
- Leonardo Buildings - Hotel 140 beds

The building would be well suited to an Aparthotel and can support 120 suites, subject to the necessary consents.



■ First Floor



■ Second Floor

TENANT COVENANT

We set out below financial summaries of the tenants where available.

CAPITA

Capita Customer Management Limited (01336850) is the UK's leading provider of outsourced customer management services. Their latest financial accounts are summarised below:

Year Ending	Turnover £'000s	Pre-Tax Profit £'000s	Net Worth £'000s
31/12/2015	516,853	44,317	73,445
31/12/2014	486,602	37,044	118,480
31/12/2013	359,870	43,646	87,856

The company has a Creditsafe Rating of 87 indicating very low risk of business failure.

NOTE MACHINE

Notemachine UK Limited (01359357) is a company involved in the manufacture, sale and rental of machines for the offering of coins, cash and cash equivalents and the sale, rental and operation of ATMs. Their latest financial accounts are summarised below:

Year Ending	Turnover £'000s	Pre-Tax Profit £'000s	Net Worth £'000s
30/06/2016	108,805	14,708	23,251
30/06/2015	85,694	4,499	12,099
30/06/2014	68,381	2,802	9,169

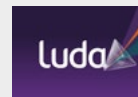
The company has a Creditsafe Rating of 87 indicating very low risk of business failure.



Hard Rock Café (UK) Limited (01924059) is a chain of themed restaurants with 191 locations in 59 countries. Their latest financial accounts are summarised below:

Year Ending	Turnover £'000s	Pre-Tax Profit £'000s	Net Worth £'000s
27/12/2015	22,325	4,779	21,997
31/12/2014	24,354	5,917	18,286
31/12/2013	20,701	4,803	31,917

The company has a Creditsafe Rating of 94 indicating very low risk of business failure.



Luda Bingo Limited (09887394) is a Gaming and betting facility. The company was incorporate in 2015 and did not trade during 2016 therefore there are no financial accounts available to date. Mecca Bingo Limited will act as guarantor for the duration of the lease.



Jungle Rumble (Leeds) Limited (SC549511) is a leisure and recreation facility offering adventure golf. There is no financial information available for this company as it was incorporated in 07/11/2016.

The First Secretary of State covenant would be considered undoubted.

LEEDS OCCUPIER MARKET

Leeds has witnessed the fastest rate of private sector jobs growth in the UK over the last decade and the market continues to exhibit growth characteristics with employment in Leeds forecast to grow by 10.4% over the next 10 years – higher than the rate for the UK and core cities.

Growth in the financial and business services sector is expected to be 21% over the same period, consolidating Leeds' ranking as the largest centre for financial services outside London. The city is host to 20 FTSE 100 Company HQs and in excess of 30 national and international Banks.

The emerging digital technology sector will be a key driver of this growth with initiatives such as the Digital Enterprise Programme and Leeds' selection as one of few UK "Gigabit Cities" attracting more inward investment. Leeds is at the forefront of the digital revolution with BT, EE, Cable & Wireless and O2 all having a major presence in the region. The region is also home to the highest concentration of internet and telecommunications providers in the UK as well as the 23 fastest growth digital business' in the North.

BUILDING	RENT £/PER SQ FT	TENANT	AREA SQ FT	LEASE TERMS	DATE
Central Square	£29.00	PWC	11,627	13 year term, co-terminus with existing leases	November 2017
Central Square	£28.00	Sky Subscription	26,000	15 year lease, break at year 10	August 2017
No1 Whitehall Riverside	£26.00	Aviva	6,090	5 year lease, break at Year 3	June 2017
6 Queen Street	£28.00 -£30.00	Burberry	45,000	15 year lease, break at Year 10	June 2017
9 Bond Court	£27.00	Carter Jonas	4,258	10 year lease, break at Year 5	April 2017

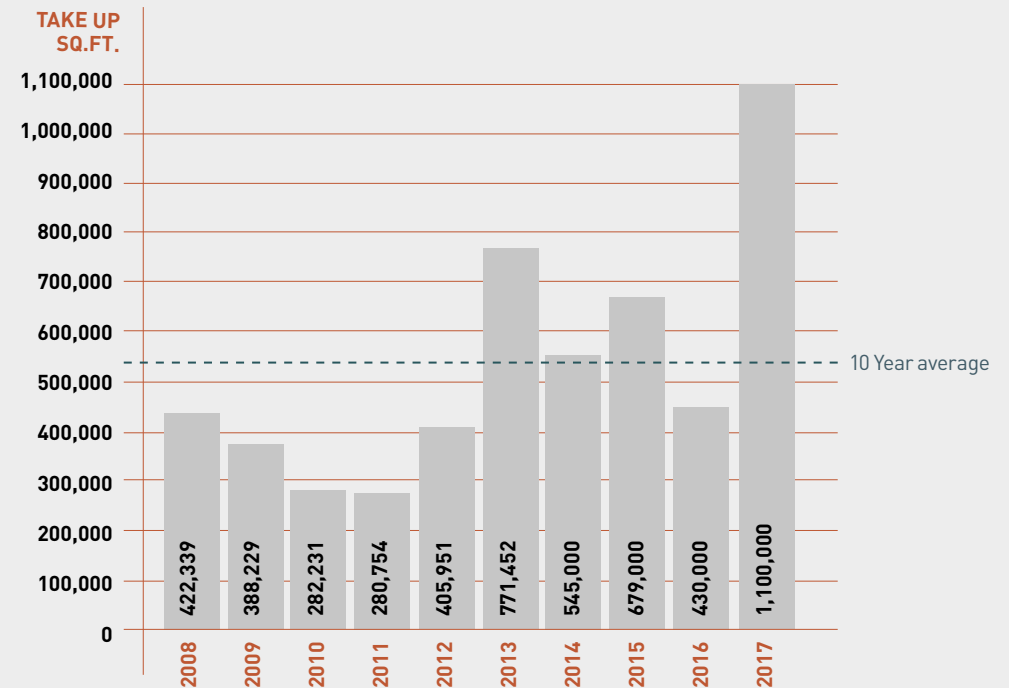
TAKE-UP

The 10 year average for Leeds City Centre is 530,000 sq ft with take-up in 2015 exceeding 680,000 sq ft whilst 2016 saw the effects of the political and economic events with a more subdued 430,000 sq ft. Q4 2016 saw take-up of 110,000 sq ft the highest Q4 total since 2010. This momentum has continued into 2017 with take-up having reached in excess of 1 million sq ft.

The increase in take-up figures over recent years is resultant of new entrants to the Leeds market along with occupiers choosing to expand. Businesses are seeking to take advantage of the high-quality labour pool and comparatively cheap occupational costs. Both PWC and Sky have taken an additional space, 26,000 sq ft and 11,600 sq ft respectively at Central Square, Equifax have relocated from Bradford taking 19,784 sq ft at Wellington Place and Burberry have just taken 45,000 sq ft in 6 Queen Street.

HEADLINE RENTS

Prime headline rents in Leeds are currently £29.00 psf set in Q4 2017, a significant discount and occupational saving compared to Manchester at £34.00 per sq ft and Birmingham at £32.00 per sq ft.



INVESTMENT RATIONALE & ASSET MANAGEMENT OPPORTUNITIES

- The property provides a rare opportunity to acquire a mixed use freehold building within Leeds retail and office core.
- A diversified asset with leisure and office tenants.
- Re-gear occupational leases with Capita and Secretary of State (discussions still on going).
- Attract new tenants upon lease expiries with its attractive central location in Leeds' Innovation district.
- Potential conversion of the office floors to residential/hotel in the medium long term will be accretive to the capital value.
- Island site
- Proximity to Leeds Arena
- Very attractive capital value per sq ft

INVESTMENT COMPARABLES

Date	Property	NIA	Term Certain/ WAULT	Rent	Purchaser	Price	NIY	Capital Price
February 2018	CGU House	50,673	N/A	N/A	LJ Partnership	£9.58m	N/A	£189
October 2017	Oxford House	33,181	2.6	£15.00	Topland Group	£5m	9.16	£151
October 2017	Park Row House	41,955	1.67	£18.50	Undisclosed	£8.68m	5.5%	£207
July 2017	1 East Parade	48,458	Undisclosed	£21.50	Schroders	£12.7m	6.25%	£262
May 2017	9 Bond Court	66,438	4.50	£26.50	Canal Rivers Trust	£24.25m	6.35%	£365
March 2017	Toronto Square	88,207	2.93	£24.00	JP Morgan Chase	£22.2m	6.00%	£251

VAT

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

SERVICE CHARGE

The current service charge budget for the year to 31 December 2018 is £509,616 per annum.

The service charge is calculated on a floor area basis and a full breakdown of the service charge apportionment can be viewed on the data site.

EPC's

Available upon request.

PROPOSAL

We are instructed to seek offers in excess of **£12,250,000** subject to contract and exclusive of VAT. A purchase at this level reflects a Net Initial Yield of **12.50%** assuming purchase costs of 6.71% and a low capital value of:

Leisure £195 per sq ft

Office £142 per sq ft

Overall £157 per sq ft

DATA SITE

A measured survey is available to view on the data site. A vendor's building survey is available to view on the data site.



FURTHER INFORMATION

For further information including access to the data room and viewing arrangements, please contact:-

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MISREPRESENTATION ACT: Jones Lang LaSalle for themselves and for the vendors or lessors of this property, whose agents they are give notice that: a) all particulars are set out as general outline only for the guidance of intending purchasers or lessees, and do not comprise part of an offer or contract; b) all descriptions, dimensions, references to condition and necessary permissions for use and occupation, and other details are given in good faith and are believed to be correct but any intending purchasers or tenants should not rely on them as statements or representations of fact but must satisfy themselves by inspection or otherwise as to the correctness of each of them; c) no person in the employment of Jones Lang LaSalle has any authority to make any representation of warranty whatsoever in relation to this property. 4643_APR18