



42

BULL STREET

BIRMINGHAM

**WELL-LOCATED MODERN BIRMINGHAM CBD OFFICE WITH
SECURE GOVERNMENT INCOME AND REVERSIONARY PROFILE**

INVESTMENT SUMMARY

42 Bull Street is a modern office building situated in Birmingham's prime office core. The property offers a rare opportunity to acquire a well located city centre investment with 90% of income secured against HM Government.

- Prime location in Birmingham's Central Business District, fronting Bull Street in close proximity to Colmore Row
- Exceptional connectivity, being directly opposite Bull Street Metro stop, and within a 2 minute walk of Snow Hill Railway Station
- Freehold
- 1,312 sq m (14,122 sq ft) of office and leisure accommodation arranged over basement, ground, and four upper floors
- The building was comprehensively refurbished in 2017, including new feature reception, common areas, office accommodation, M&E and ground floor leisure unit
- Let to two tenants - The Secretary of State for Communities & Local Government (Home Office) and Wayland's Yard
- Average weighted unexpired term of 6.1 years to expiry and 5.7 years to break, with the Government having declined to serve a recent break clause
- Exceptional covenant strength, with 90% of total income secured against an undoubted Government covenant, with the remainder secured against a successful independent food & beverage operator
- Total rent of £253,071.20 pa, reflecting a very low office rent of £20.34 psf
- Rent reviews due within the next six months, with a reversionary rental profile and ERV of £323,665.76 pa

PROPOSAL

We are instructed to seek offers in excess of **£3,800,000** subject to contract and exclusive of VAT.

A purchase at this level reflects an attractive **net initial yield of 6.25%** assuming standard purchaser's costs, and **reflecting a very low capital value of £269.08 per sq ft.**

2. WELL LOCATED MODERN BIRMINGHAM CBD OFFICE



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BIRMINGHAM - A GLOBAL CITY

Birmingham is the economic and cultural capital of the Midlands region and is firmly established as the UK's second city. With a population of circa 1.15 million (2021), Birmingham is the largest regional centre in the UK in both population and economic terms.

Birmingham is a strong and well-balanced economy centric to the larger West Midlands conurbation. The city has an urban area population of circa 2.95 million (2021) and a metropolitan population of 3.75 million (2021).

The city is a major engine for UK growth with more infrastructure than any other European city and the 10th largest city economy in Europe, producing £121 billion GDP per annum (2020).

Birmingham boasts the second largest business and financial services sector in the UK and employs over 130,000 people within the city and 350,000 in the wider region. In addition to Birmingham's exceptional business credentials, the city has experienced significant growth in the leisure and tourism sector, boosted by hosting the 2022 Commonwealth Games.

MAJOR EMPLOYERS INVESTING IN THE CITY
including HM Government, HMRC, HS2, Jaguar Land Rover and Mondelez

500,000 EMPLOYEES
the largest workforce of any regional city

UK'S YOUNGEST AND FASTEST
growing regional city with 40% of population under 25

ENTREPRENEURIAL CITY
No 1 in the UK for new business start-ups (2020)

NO.1 IN THE UK
for quality of life (source: Mercer Quality of Life Index)

THREE WORLD CLASS UNIVERSITIES
home to 25,000 students with over 50% now retained in the city



Colmore Row



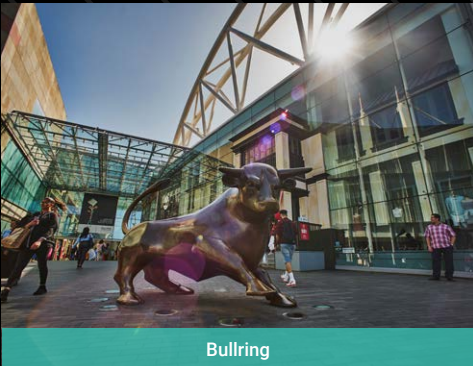
Matineau Galleries (CGI)



Paradise / Chamberlain Square



Centenary Square



Bullring



Library of Birmingham

COMMUNICATIONS

Birmingham is located at the heart of the UK's infrastructure network.



Birmingham is served by three principal railway stations, New Street, Snow Hill, and Moor Street. Birmingham New Street is the UK's busiest railway station outside of London, with over 40 million passengers a year. HS2 is due in 2030 and will further transform rail connections, reducing journey times to London to 45 minutes.



The Midland Metro is one of the UK's most successful rapid transport systems benefiting from a £1.3 billion investment. 42 Bull Street is adjacent to the Bull Street stop on Line 1, at the heart of the tram network.



Birmingham is strategically located at the centre of the UK's motorway network with the M5, M6 and M42 forming an orbital route around the city.



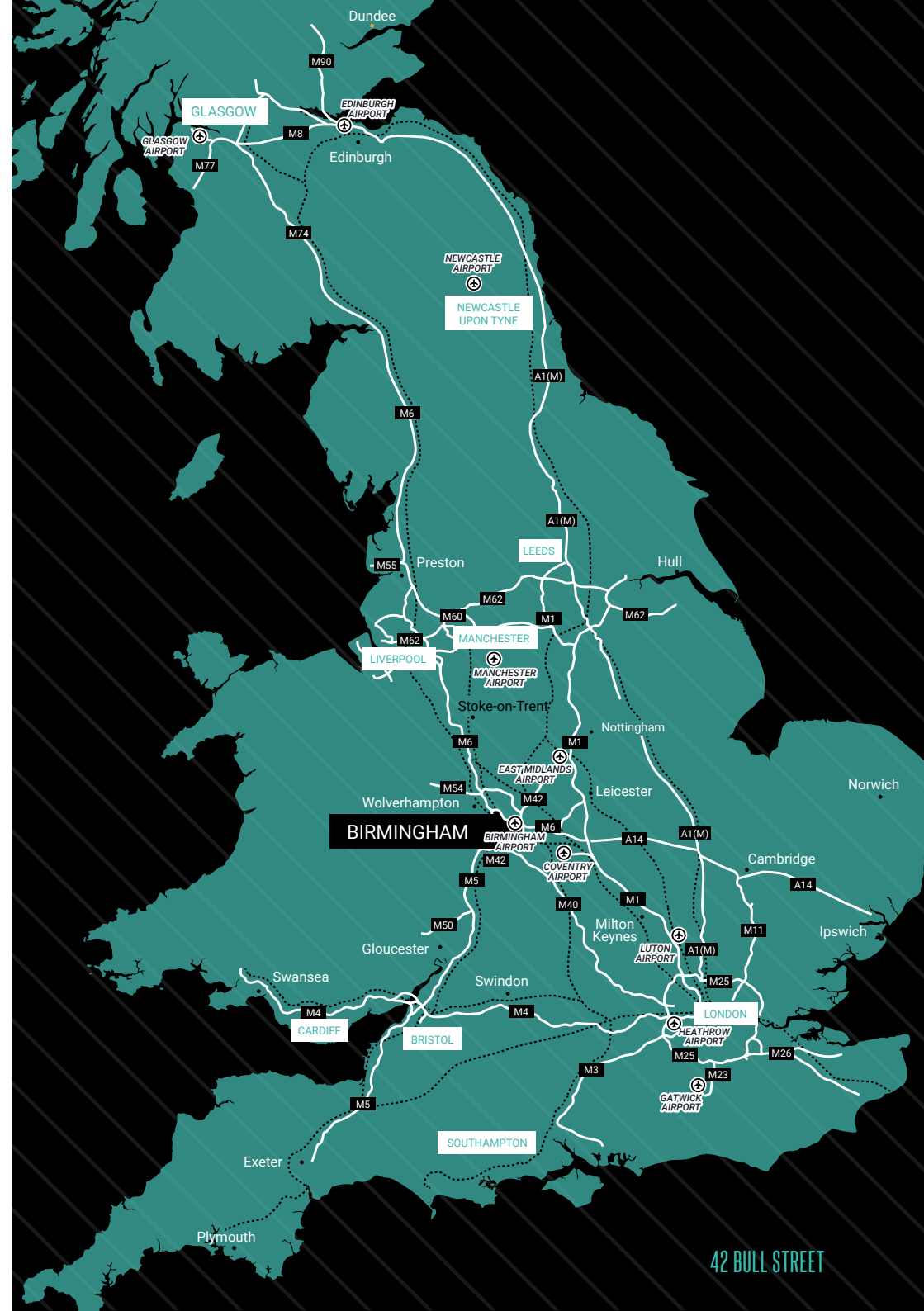
Birmingham airport lies 13km (8 miles) south-east of the city serving 143 national and international destinations carrying over 12 million passengers each year.



HS2 Curzon Street



New Street Station / Grand Central



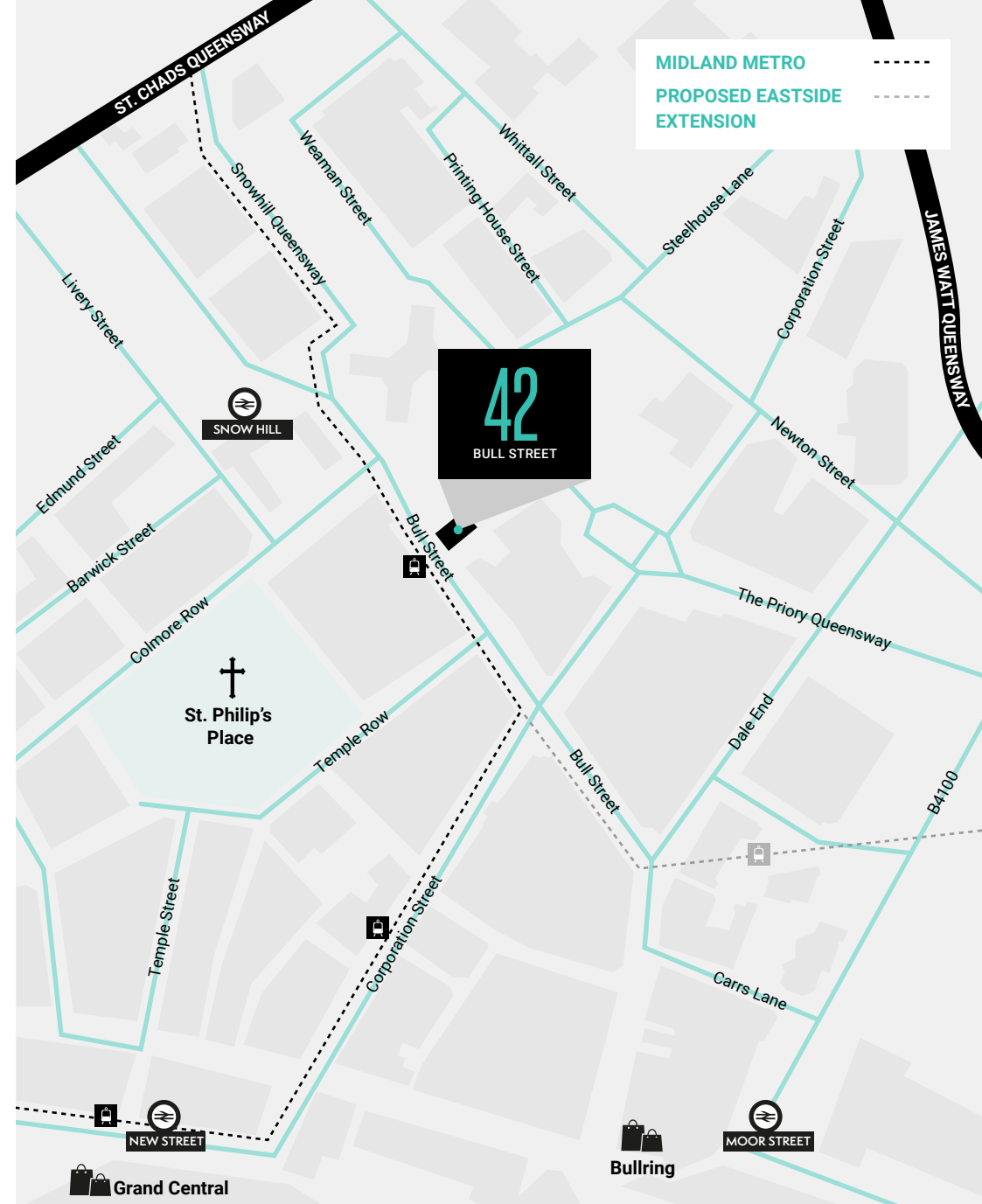
SITUATION

42 Bull Street occupies a prominent city centre location at the junction of Colmore Row and in the heart of the city's financial and professional services district.

42 Bull Street benefits from a highly strategic position between the Colmore Business District (CBD) and Birmingham's principal retail and leisure amenities. The property is surrounded by major professional occupiers, as well as being in close proximity to the city's main retail destinations, along with notable food and beverage occupiers.

Access to Birmingham's public transport infrastructure is excellent with the Midland Metro's Bull Street stop being directly outside of the building and immediately accessible. Mainline rail services are also in close proximity, Snow Hill railway station is just 150 metres away and New Street station is within 500 metres (5 minute walk).

42 Bull Street is set to benefit from the major regeneration of the eastern side of the city centre. Martineau Galleries is located just 500 metres (5 minute walk) away, the landmark redevelopment will comprise up to 1.4 million sq ft of workplace accommodation, up to 1,300 new homes, restaurants, cafés, shops, a hotel, and high quality public realm. The new Birmingham Curzon Street HS2 station adjoins Martineau Galleries providing superb future access to HS2 from the property.



MAJOR SURROUNDING OCCUPIERS

HS2 SHAKESPEARE MARTINEAU WESLEYAN

KPMG GOWLING WLG SPACES. dwf EY

BIRMINGHAM AERIAL



DESCRIPTION

42 Bull Street is a refurbished office and retail building extending to 1,312 sq m (14,122 sq ft) in total, arranged over basement, ground and four upper floors.

The building underwent a comprehensive back to frame refurbishment in 2017, with the refurbishment scheme delivering brand new office accommodation, feature ground floor reception, common areas, WCs, and M&E.

The property benefits from regular, open plan office floorplates of circa 2,460 sq ft. The property provides a self-contained retail/leisure unit on ground floor with separate access.

The office accommodation is occupied by the Home Office departments of HM Passport Office (1st & 2nd Floors) and OCDA - Office for

Communications Data Authorisations (3rd & 4th Floors). Both departments share communal meeting room space in the basement. The Government fitted out the basement as office accommodation prior to taking occupation. The ground floor leisure unit is occupied by local independent Wayland's Yard.

The current owner is progressing a roof repair project, with a brand-new roof covering due to be installed shortly. The project is out to tender, and the cost will be met by a combination of the service charge and the current owner directly, with warranties passing to a new owner.

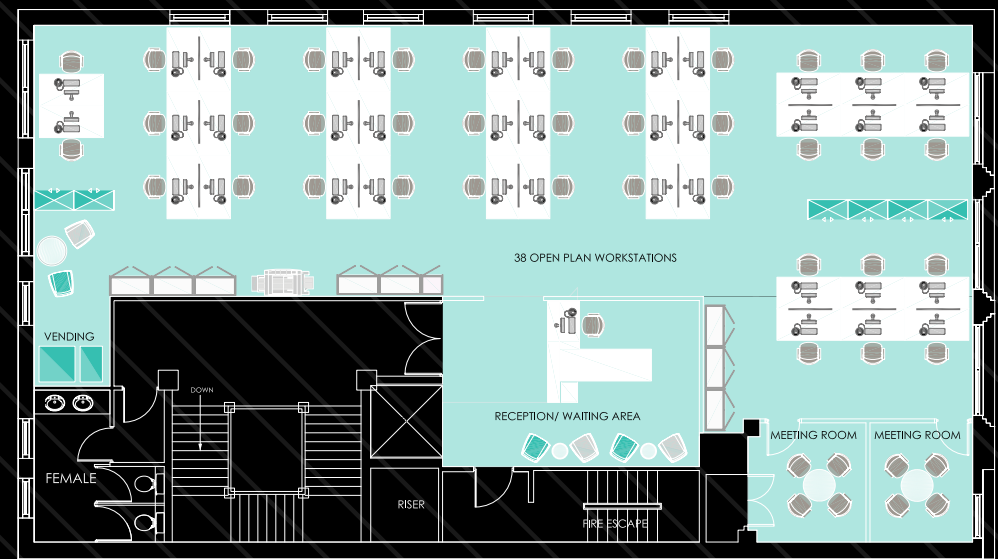
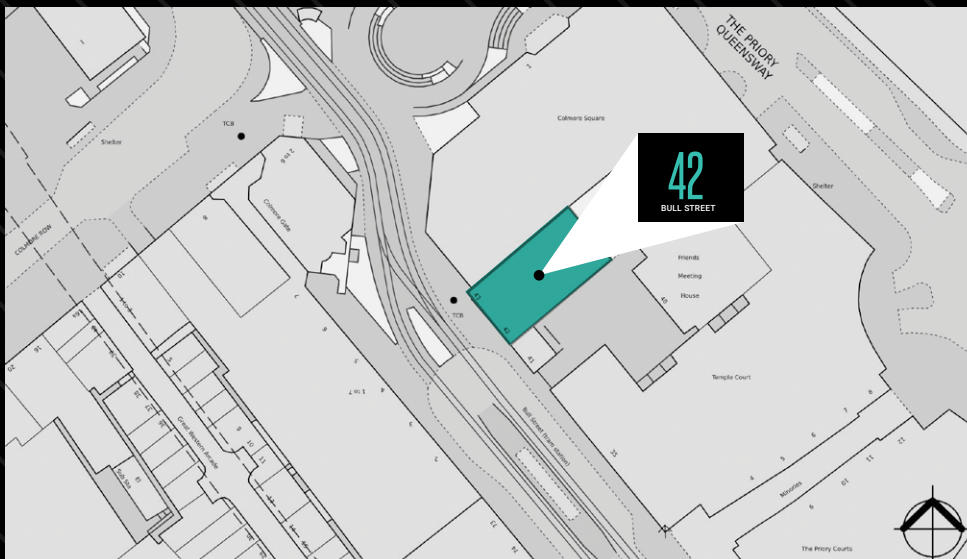
The office accommodation includes the following design features:

- Impressive ground floor feature reception area
- High quality CAT A office accommodation delivered in 2017
- Suspended ceilings with metal ceiling tiles and recessed LED lighting
- Fully accessible raised floors
- VRF air conditioning throughout
- Central staircase and passenger lift serving all floors
- Alternate male and female WCs
- Ground floor accessible WC and shower facility
- Extensive additional meeting room facilities in the basement, including breakout space and board room (fitted out by Secretary of State)



ACCOMMODATION

Floor	Sq m	Sq ft
Retail Unit	179.24	1,929
Basement	160.18	1,724
Ground	58.21	627
1st Floor	229.06	2,466
2nd Floor	229.31	2,468
3rd Floor	228.98	2,465
4th Floor	227.03	2,444
Total	1,312.00	14,122



Typical floorplan

TENURE

Freehold

8. WELL LOCATED MODERN BIRMINGHAM CBD OFFICE

42 BULL STREET

TENANCY


FULLY LET
TO 2 TENANTS

90%
OF INCOME SECURED AGAINST
UNDOUBTED GOVERNMENT COVENANT


TOTAL RENT
OF £253,071.20 PA


REVERSIONARY
RENTAL PROFILE


AWULT 6.1 YEARS
TO EXPIRY AND 5.7 YEARS TO BREAK

Use	Area (Sq Ft)	Tenant	Lease Start	Lease Expiry	Break	Rent Review	Rent p.a.	Rent Per Sq Ft	ERV p.a.	ERV Per Sq Ft	Inside 1954 L&T Act?	Comments
Offices	12,193	The Secretary of State for Communities & Local Government	21/03/2018	24/03/2028		25/03/2023	£224,071.20	£20.34	£275,440.76	£25.00	Yes	Tenant has recently declined to serve a break clause, and benefits from an additional 9 months' rent free from March 2023, to be topped up by the vendor Rent review upwards only to open market value Rent analysis assumes 50% rate applied to basement and ground floor reception Schedule of condition documents condition of basement, roof top plant room, fire escape stair and lobby
Retail	1,929	Wayland's Yard Ltd	26/01/2018	25/01/2033	26/01/2030	26/01/2023	£29,000.00	£15.03	£48,225.00	£25.00	Yes	Tenant only break option on 6 months written notice Rent review upwards only to open market value Deed of variation moved original 2028 tenant break to 2030
TOTAL	14,122						£253,071.20		£323,665.76			



COVENANT



Department for
Communities and
Local Government

90% OF CONTRACTED INCOME

As a government department, The Secretary of State for Communities & Local Government offer an undoubted covenant strength.

42 Bull Street is occupied by the Home Office, and provides a shared facility for HM Passport Office, and the Office for Communications Data Authorisations (OCDA).

HM Passport Office are the sole issuer of UK passports and responsible for civil registration services through the General Register Office. 42 Bull Street operates as the sole Birmingham HM Passport Office, providing an interview and processing facility. The facility

is currently assisting in processing fast-track passport applications due to a nationwide backlog, whereafter it will revert to its principal interviewing function.

OCDA considers requests for communications data from law enforcement and public authorities. The body is responsible for safeguarding an individual's right to privacy under the Human Rights Act 1998. It makes independent decisions on whether to grant or refuse communications data requests, ensuring all requests are lawful, necessary, and proportionate.



10. WELL LOCATED MODERN BIRMINGHAM CBD OFFICE

WAYLAND'S YARD

10% OF CONTRACTED INCOME

Wayland's Yard is a modern, artisan coffee shop and restaurant, offering an extensive breakfast and lunch menu. Wayland's Yard benefits from being one of the sole high quality amenity offerings on Bull Street.

Wayland's Yard operate three branches (Birmingham, Worcester, and Bristol), and provides a neighbourhood community coffee shop experience, operating as a very popular independent alternative to High Street chain coffee houses.



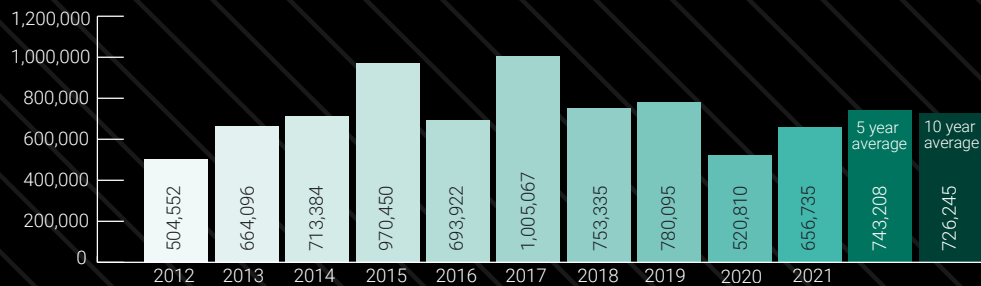
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BIRMINGHAM OFFICE MARKET

Birmingham boasts one of the largest CBD office markets in the UK, with over 18 million sq ft of built stock, along with a high-quality business community and a dynamic Central Business District.

TAKE UP

Birmingham's CBD market has had a strong 10 years, with a number of record years of take up recorded, along with robust levels of take up during the pandemic impacted years of 2020 and 2021. Transactions have returned at scale, with letting activity returning to close to normal levels, and with a raft of requirements being launched stimulating a return to greater levels of take up going forward.

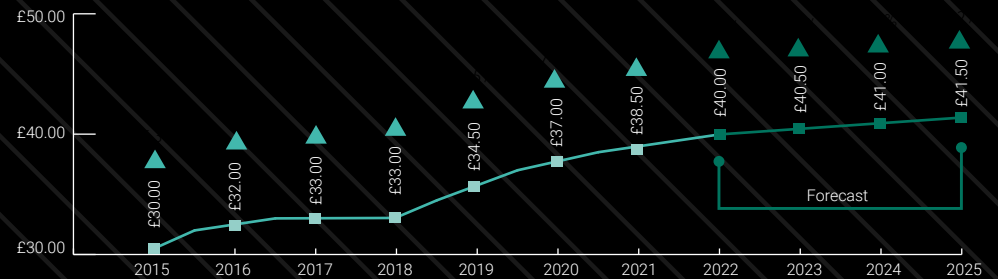


KEY LETTING TRANSACTIONS

Date	Building	Occupier	Size (Sq Ft)	Rent (PSF)
Under Offer	45 Church Street	Confidential	9,094	£35.00
Under Offer	Chatwin Building	Confidential	7,089	£37.50
Q3 22	103 Colmore Row	Colliers	9,215	£40.00
Q2 22	103 Colmore Row	Arcadis	12,132	£38.50
Q1 22	103 Colmore Row	Knight Frank	4,300	£39.50
Q4 21	45 Church Street	Interpath	3,102	£33.50
Q4 21	103 Colmore Row	Grant Thornton	12,146	£38.50
Q4 21	Interchange	Randstad	8,748	£32.50
Q3 21	Cornerblock	Kainos	8,026	£32.50
Q3 21	Cornerblock	Sedgwick International	6,550	£32.50

RENTS AND FUTURE GROWTH

Prime office rents in Birmingham have grown strongly over the last 5 years, rising from £30.00 psf in 2015 to reach £38.50 at the end of 2021. There has been year-on-year growth averaging over 4.00% per annum over this period, and growth during the pandemic impacted years of 2020 and 2021 of 7.20% and 3.90% respectively. Going forward we anticipate rents will continue to increase, with £40.00 psf already achieved on a number of lettings during 2022. The high-quality new stock recently delivered will continue to stimulate upward rental progression.



DEMAND

Tenant demand rebounded during 2021 and has remained strong in 2022, with new requirements being launched after a number of relocations were paused during 2020. There is currently in excess of 600,000 sq ft of active named requirements seeking office accommodation in Birmingham's CBD.

SUPPLY

The Birmingham office market is experiencing a constrained level of existing Grade A supply, which is now at historically low levels even with notable recent completions. The future supply pipeline is limited, both from a refurbished and new build perspective, with the pandemic exacerbating supply pipeline issues causing scheme delays. With limited delivery of new space beyond 2022, the vacancy rate is anticipated to continue its downward trend.

FURTHER INFORMATION

VAT

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

DATA ROOM

Access is available on request.

EPC

The office accommodation has an EPC rating C(60) and the ground floor retail EPC rating B(49). Energy performance certificates are available in the data room.

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