

THE SQUARE

2 BROAD STREET, SHEFFIELD

GRADE A CITY CENTRE
OFFICE INVESTMENT

FOR SALE





INVESTMENT SUMMARY

- **Grade A multi let office** building located in Sheffield City Centre, extending to 42,759 sq ft.
- The Square forms part of a **prestigious office development** prominently located at the head of the A57 Sheffield Parkway.
- Let to 2 tenants with a WAULT of 1.60 years to expiry 1.25 years to break.
- 83% let with a very strong tenant line up.
- Average rent of £18.50 psf, representing significant discount to prime rent at £27.00 psf.
- Strong tenant line up including **First Customer Contact Limited** and **Sopra Banking Software Limited** – both have a Creditsafe rating of **Very Low Risk**.
- The current passing rent of the property is **£790,846 per annum** equating to **£18.50 psf**.
- The property has a **BREEAM rating 'Very Good'**.
- Sheffield is the largest city in the South Yorkshire region.
- Long Leasehold.

PROPOSAL

We are instructed to seek offers in excess of **£6,500,000 (Six Million and Five Hundred Thousand Pounds)**.

This reflects an attractive **Net Initial Yield of 11.40%**, a Reversionary Yield of 12.33% assuming purchaser's costs at 6.64% and a **low capital value of £152 psf**.

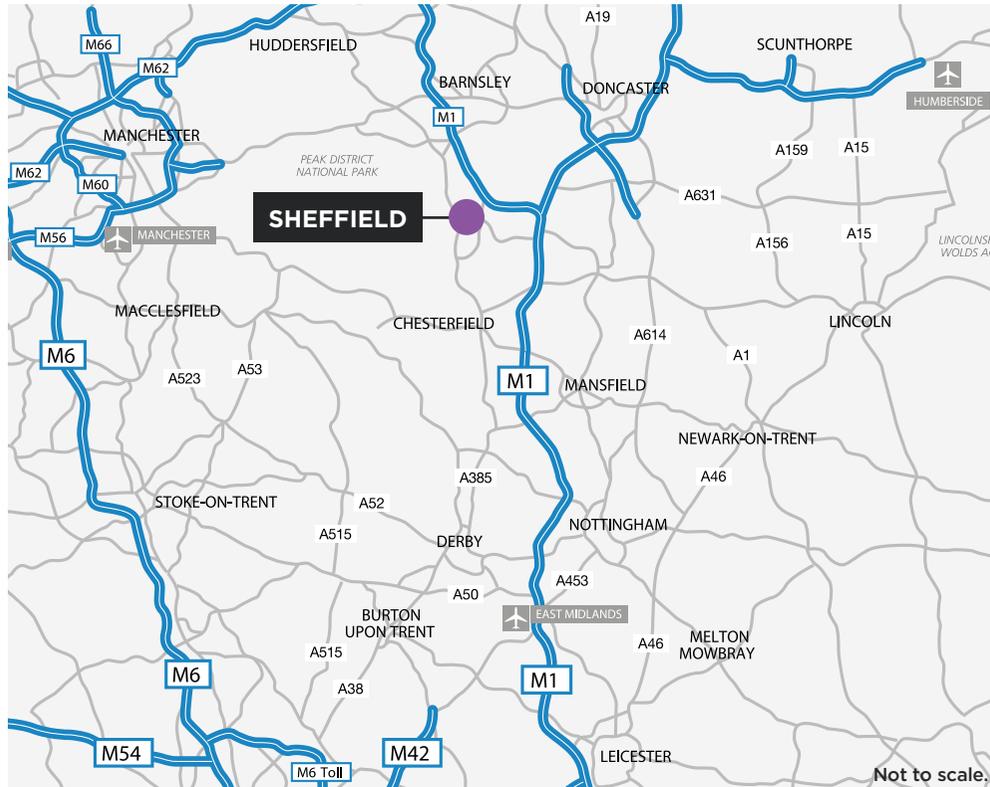




LOCATION

Sheffield is the largest city in South Yorkshire and is the principal financial and commercial centre for South Yorkshire. The city is located approximately 160 miles north of London, whilst Leeds being approximately 35 miles to the north.

Sheffield city centre can be accessed from both Junctions 33 and 34 of the M1 motorway, located approximately 3.5 miles to the east. The city has good connections with the national motorway network; the A1, M62 and M18 all being accessible via the M1.



UNRIVALLED CONNECTIVITY



ROAD

London	167 miles	3.5 hrs
Manchester	38 miles	1.5 hrs
Leeds	30 miles	40 mins



RAIL

London	2 hrs
Manchester	55 mins
Leeds	40 mins



AIR

Leeds Bradford, Manchester and East Midlands airports are all within an hour's drive.





THE SQUARE

RIVERSIDE EXCHANGE

PONDS FORGE

DIGITAL CAMPUS

SHEFFIELD STATION 

SHEFFIELD HALLAM UNIVERSITY

CRUCIBLE THEATRE

FARGATE

ORCHARD SQ SHOPPING CENTRE

HEART OF THE CITY

HEART OF THE CITY II

RETAIL QUARTER DEVELOPMENT



← M1 3.5 MILES TO JCT 33



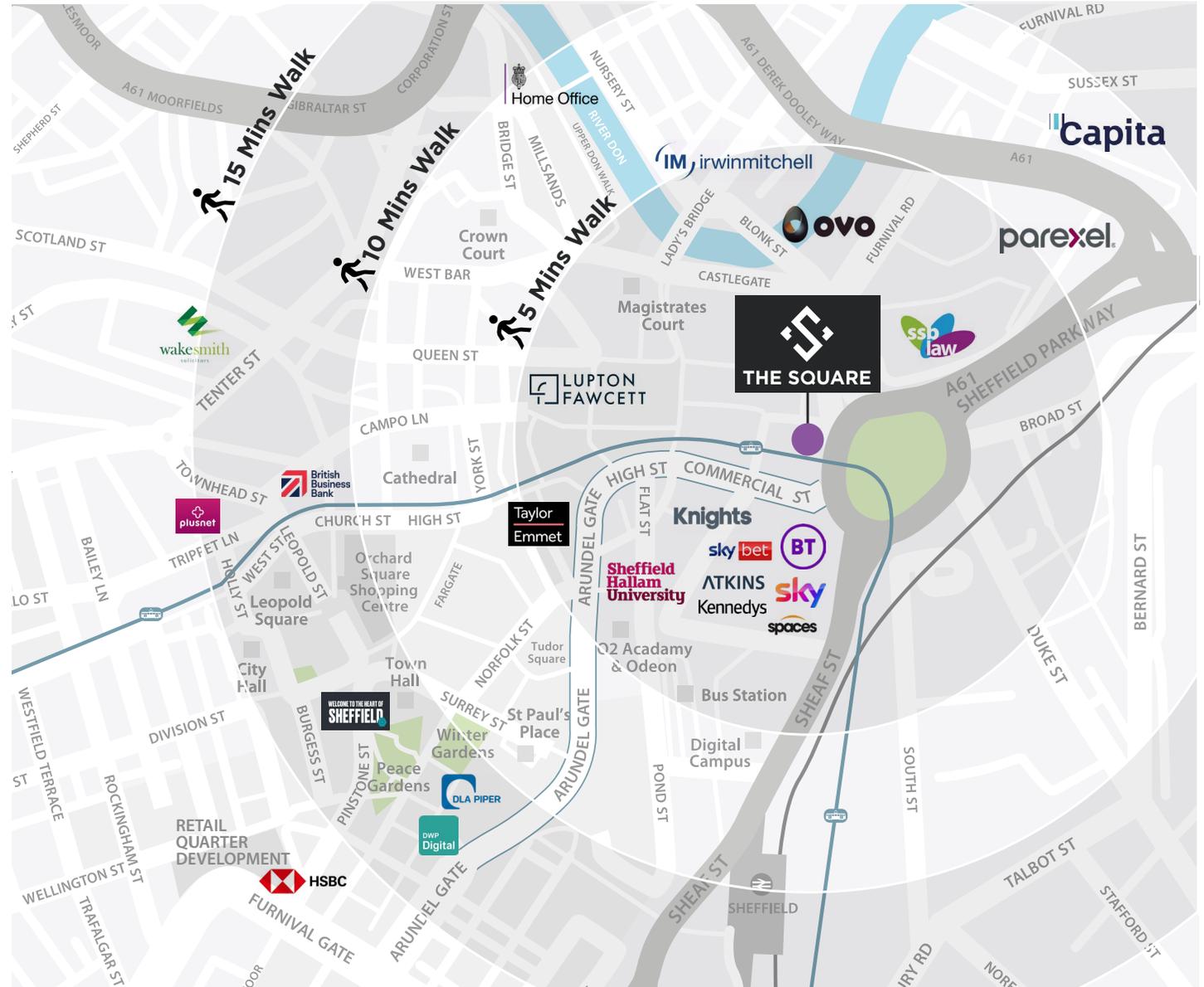
SITUATION

The Square is situated off Park Square roundabout at the head of the A57 Sheffield Parkway, the heart of the principal gateway entrance to Sheffield's City Centre. It is situated in the Castlegate Quarter of the city centre and sits in an enviable setting being so close to the city centre as well as opposite the Victoria Quays which is very popular at lunchtimes and summer evenings / weekends providing various amenities for staff as well as the recreational walking/running routes running along the canal.

The property forms part of The Square, a mixed-use city centre development by Carillion where occupiers include Travelodge (114 bed hotel), Q Park (400 space car park) and South Yorkshire Passenger Transport Executive along with South Yorkshire Mayoral Combined Authority (in Building One, 43,000 sq ft office). There were previous plans for a further scheme on the land opposite the subject office, although this is yet to materialise.

The Square benefits from very good public transport accessibility including bus, rail and tram links less than 5 minutes away and within walking distance from the main retail pitch of Fargate.

The wider area is home to a number of occupiers including Sky, SkyBet, Spaces, Knights, Kennedys, BT, Egress, Atkins, SYPTE, SYMCA, Rank Group, SSB Group, Lloyds Banking Group and Capita, as well as a number of hotels including Travelodge, Ibis, Best Western, Hampton by Hilton and Holiday Inn. The main Sheffield Hallam University campus is also located close by, as well as Ponds Forge International Sports Centre.



Not to scale and for indicative purposes only.



DESCRIPTION

The Square was originally developed in 2008 and subsequently refurbished in 2018, to include refurbishment of the office suites, common parts including the reception, lift lobbies, WCs and additional shower and bike storage facilities.

The building is arranged over ground and five upper floors, extending to a total of 42,759 ft. The building is designed with the reception off the main central core with the floor plates arranged in a 'L shaped' formation providing flexible and various sized office suites. Internally, the offices are fitted out to a high standard and provide a Grade A specification.

Specification includes:

- BREEAM "Very Good"
- Four Pipe Fan Coil Air Conditioning
- LED Lighting
- Suspended Ceiling
- 2.7m floor to ceiling height
- Full access raised floors
- 2 x 13 person passenger lifts
- Open floor areas with good levels of natural light
- 30 bike spaces
- Shower facilities





ACCOMMODATION

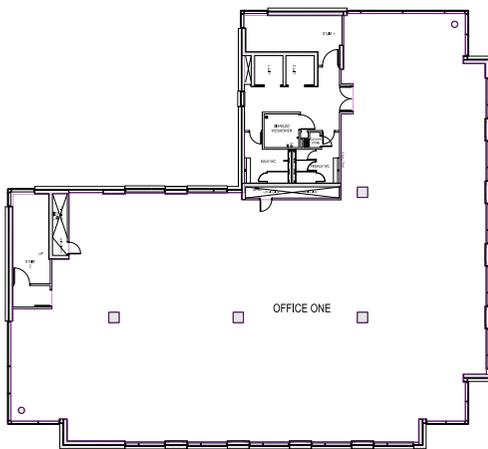
The property has been measured in accordance with the RICS Code of Measuring Practice and provides the following areas:

A measured survey is available.

Unit Description	Area (sq ft)
Ground Floor	6,647
First Floor	7,090
Second Floor	7,419
Third Floor	7,400
Fourth Floor	7,400
Fifth Floor	6,803
Total	42,759

FLOORPLAN

The Property provides flexible floor plates which offer the option to be split to provide a variety of suite sizes, future proofing the building to accommodate all types of occupiers.



TITLE PLAN

- The redline indicates the Freehold title.
- The long leasehold interest being sold is shown edged in blue and numbered "1".
- The property benefits from rights over common parts shown edged in blue and numbered "2".



TENURE

The property is held on a long lease for a term of 200 years from 18th December 2008 from Sheffield City Council at a peppercorn rental. Landlord's consent is required to assign the headlease (such consent not to be unreasonably withheld). The property must be used principally for offices for a period of 25 years from the date of the lease (being 18 December 2008). Further information is available upon request.



TENANCY SCHEDULE

Unit Description	Tenant Name	Area	Lease Start Date	Lease Expiry Date	Break Date	Passing Rent	Passing Rent (psf)	Comments
Ground Floor	First Customer Contact Limited	6,647	29/11/2019	28/11/2026	29/11/2024	£132,940	£20.00	<ul style="list-style-type: none">• There is a guarantee from First Rail Holdings Limited.• Next upwards only open market rent review on 29/11/24.• The lease has security of tenure.• 6 months notice to exercise the break option, If the break is not exercised the tenant will benefit 3 months of rent free.
First Floor	First Customer Contact Limited	7,090	03/06/2020	28/11/2026	-	£141,800	£20.00	<ul style="list-style-type: none">• June 2023 break not exercised.• There is a guarantee from First Rail Holdings Limited.• Next upwards only open market rent review on 29/11/24.• The lease has security of tenure.
Second Floor	Vacant	7,419	-	-	-	£148,380	£20.00	<ul style="list-style-type: none">• Topped Up*
Third and Fourth Floors	Sopra Banking Software Limited	14,800	07/07/2015	02/05/2024	-	£236,768	£16.00	<ul style="list-style-type: none">• Service charge cap of £96,525 p.a. with annual CPI increases.• The lease is contracted out.
Fifth Floor	Sopra Banking Software Limited	6,803	07/06/2018	02/05/2024	-	£130,958	£19.25	<ul style="list-style-type: none">• Service charge cap of £44,219.50 p.a. with annual CPI increases.• The lease is contracted out.
Total		42,759				£790,846	£18.50	

*Vendor to provide 12 months rent, rates & service charge guarantee.

TENANCIES



There are 2 leases with both the occupational tenancies drafted on standard FRI terms and have fully recoverable service charge provisions.



Weighted Average Unexpired Lease Term to expiry of 1.60 years and 1.25 years to break.



Current rent of £790,846 per annum including a 12 months rent, rates & service charge top up on the vacant floor.



83% of the income is secured against covenants rated by CreditSafe as Very Low Risk.



Passing rent at £18.50 psf represents a discount against prime rents in the city of £27.00 psf.



COVENANT



First Customer Contact Limited

First Customer Contact form part the First Group, who are private sector provider of public transport services in the UK, operating through two divisions: First Bus and First Rail. First Customer Contact operates contact centre services for the wider group.

First Customer Contact Limited have a Creditsafe rating of **71A** representing **Very Low Business Risk**.

Year to Date	Turnover	Pre Tax Profit	Shareholder's Funds
31/03/2022	£14,572,000	£1,897,000	£5,400,000
31/03/2021	£8,353,000	£1,611,000	£3,869,000
31/03/2020	£6,291,000	£3,165,000	£2,564,000



First Rail Holdings Limited

Both leases to First Customer Contract Limited are guaranteed by First Rail Holdings Limited who have a Creditsafe rating of **99A** which represents **Very Low Risk**.

Their latest accounts are shown below:

Year to Date	Turnover	Pre Tax Profit	Shareholder's Funds
31/03/2022	£51,769,000	£55,920,000	£50,886,000
31/03/2021	£48,090,000	£28,954,000	£60,490,000
31/03/2020	£37,397,000	£37,898,000	£71,620,000



Sopra Banking Software Limited

Sopra Banking Software is a component-based, cloud-agnostic, API-first platform used by financial institutions. Sopra Banking Software operate globally and is the partner to around 1,500 financial institutions worldwide.

Sopra Banking Software Limited have a Creditsafe rating of **83A** which represents **Very Low Business Risk**.

Year to Date	Turnover	Pre Tax Profit	Shareholder's Funds
31/12/2022	£69,370,591	£3,006,108	£75,917,667
31/12/2021	£46,868,203	£12,103,916	£79,268,444
31/12/2020	£40,946,298	£8,372,096	£68,438,635





MARKET COMMENTARY

Sheffield is undergoing a renaissance as many of the planned regeneration schemes are either coming to fruition or well underway.

In particular the Heart of the City being at the pinnacle of this change. Most recently the Isaacs Building has completed on the letting to Henry Boot PLC, who have taken 13,000 sq ft, where they have made the decision to relocate from their period office just out of town. The headline rent achieved is currently at £26.00 psf. There are a further two floors under offer to 2 separate parties at rents equating to £26.50 psf.

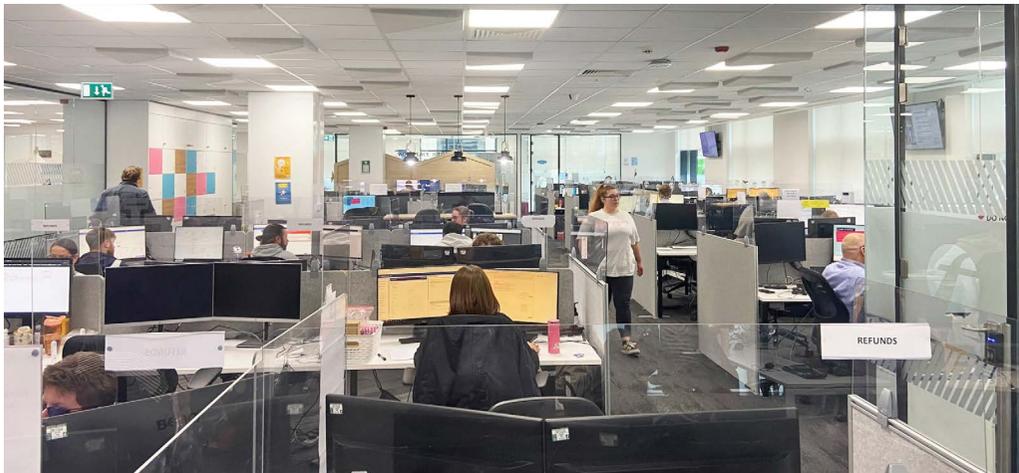
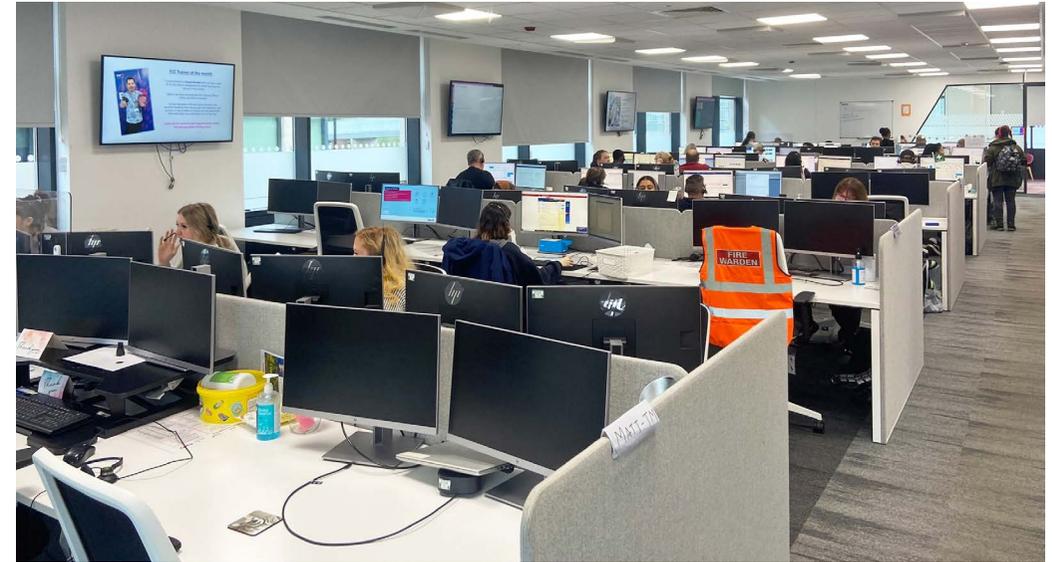
The new building within Heart of the City II, Elshaw House, is a Carbon Zero ready building, which is due for completion towards the end of the year, where the quoting rents are £32.00 psf.

As well as Heart of the City II, the final building at Sheffield Digital Campus, Endeavour has recently completed, comprising 64,000 sq ft and was pre-let in its entirety to BT Plc. The letting achieved a headline rent £26.50 psf.

Take Up

During 2022 there were 67 total office transactions. The total take-up in 2022 was 308,577 sq ft (a small reduction from 2021 at 360,172 sq ft).

The future supply pipeline is very limited with L&G's West Bar scheme £300m Council Backed office development which will provide 100,000 sq ft of office space, due for PC Q3 2024.



MARKET COMMENTARY



The prime office yield in Yorkshire is at 6.00% which provides an attractive discount to other competing regions.



Modern offices in undoubted locations like The Square are showing impressive levels of resilience as occupiers as well as investors seek to prioritise prime locations and high quality buildings.

£30bn

Sheffield is the regional dominant economy in South Yorkshire worth c. £30 Billion.



Sheffield offers a 33% rental discount to the Big 6 regional CBDs



The vacant floor plate offers good opportunities to take advantage of the demand for sub 7,500 sq ft floor plates which can be divided.

ASSET MANAGEMENT OPPORTUNITIES

- Start negotiations with First Customer Contract Limited to remove their November 2024 break on the ground floor (they did not exercise their June 2023 break on the first floor).
- An opportunity to recommence negotiations with First Customer Contract Limited who have previously expressed interest in occupying the second floor.
- Continue negotiations with Sopra Banking Software Limited to explore their future occupancy intentions.
- Explore improving the ESG of the building.



DATA ROOM

Data room access is available upon request, which includes service charge budget, leases and title information.

VAT

The property is VAT elected and VAT will therefore be payable upon the purchase price. It is anticipated that the sale can be treated as the Transfer of a Going Concern (TOGC).

EPC

Further details available upon request.

AML

The purchaser will be required to provide all necessary information to comply with anti-money laundering legislation.

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