

industrial & commercial

property news

Autumn '11



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Eddisons Launches New Capital Markets Department

We are pleased to announce that we have launched a new Capital Markets department.

The department will offer clients a range of specialist services including investment advice, acquisition and disposal along with asset management to enhance value.

The new department is headed by Toby Snape who joins from Bridgehouse Properties. He previously worked for Awbery Lapsa and Drivers Jonas.

Mr Snape said: 'Our objective is to help clients manage their property investment strategies effectively.'

'In addition, our expertise in asset management and detailed understanding of the marketplace means we can maximise rental returns and deliver strong capital value on behalf of our clients.'

Nigel McDonald, Managing Director of Eddisons said: 'The new department is a natural fit within the group and compliments the specialist services already offered by our Agency and Commercial Property Management teams and is another example of our continued growth aimed at delivering innovative solutions to our clients.'

Toby Snape has provided a more detailed overview of the work his team will be carrying out for clients and an overview of the investment market:

The Eddisons Capital Markets department specialises in commercial investment acquisition, disposal, development advice, asset management, funding,

site identification and out of town retail demand analysis.

We focus on identifying exceptional investments for clients, often off market and provide asset management advice from pre-purchase through to disposal, delivering exceptional returns to our clients.

The Capital Markets department also arranges funding for purchases and refinancing. We have strong relationships with most institutional funders, sourcing and structuring the best debt available in the market.

Our asset management offering includes change of use, filling voids, redevelopment, refurbishment and lease re-gears. We also specialise in out of town food and non-food retail demand analysis.

Using our market knowledge across all sectors and asset management experience we exceed expectations and deliver real value.

Instructions already include the sale of 4.5 acres to the east of Manchester for residential/retail development and joint venture asset management, including food and non food retail lettings in Leek, Staffordshire.

In terms of the current market conditions, we are seeing lending and refinancing increasing from a low base with funders focusing on prime property assets.

There is substantial equity in the market and the level of finance available is not holding back purchases, at least in the prime markets. The lack of prime stock availability continues to constrain the level of investment activity and this looks set to continue into next year.

Investor demand remains strong, and while the supply of prime assets is limited, the competition for available stock will be fierce, further hardening prime yields. This is most evident in the Supermarket sector where average Net Initial Yields are now running at approximately 4.5%.

remain popular with prime non food yields of 5.5% - 6.0%, single let DIY yields of circa 6.25% and secondary yields of 7.5% - 8.5%.

Transaction volume in the industrial sector has fallen over the last 6-9 months which has been caused by a lack of supply of prime property and much secondary stock being over priced. There is strong demand from opportunistic property companies who remain keen to acquire multi let stock with added value opportunities.

The office market in London remains strong and in the regions there is demand for property let to AAA covenants and multi let buildings in central locations. Large space requirements for offices outside London are few and far between and owners of large vacant office suites are being forced to consider alternative uses such as hotels or splitting into small suites.

The supply of distressed assets remains strong which has softened values of secondary stock further due to oversupply, with some stock not selling. An alternative solution to the banks has been demonstrated by RBS 'Project Isobel' which involved the creation of a £1.4bn joint venture with Blackstone with the new vehicle funded 60% by third party debt and 40% by Blackstone and RBS. This disposed of loans as opposed to underlying property assets which could provide a template for other banks.



Leek Site

Private equity will continue to chase secondary property, especially those investments where there are real opportunities to substantially add value over a 2-3 year period. Availability, pricing and affordable debt will be crucial in determining the level of activity. With the weight of equity available for purchase, we anticipate yields will harden on stock which offers added value opportunities as more investors chase these opportunities.

High street, secondary and neighbourhood shopping centre yields are moving further out as purchasers struggle to secure sensible finance on these purchases and as banks continue to encourage sales from their loan books. Retail warehousing in quality locations

For more information about the Capital Markets department or how we can assist you with your requirements, please contact: Toby Snape on 0161 831 1701 or via email toby.snape@eddisons.com



Hadfield Site



Toby Snape

The Empty Property Burden

Empty properties are a growing concern for landlords. The potential tax burden on owners has risen and some landlords are starting to consider extreme steps to minimise their liability. But what really can be done to mitigate this liability?



Background

Empty rates reforms were introduced under the Rating (Empty Properties) Act 2007 and the Non-domestic Rating (Unoccupied Property) (England) Regulations 2008. In summary, the changes from the previous regulations are as follows:

Mitigation Strategies

These changes have clearly had an impact on the liabilities owners of properties face should they become vacant. It is particularly unfortunate that the changes came into force at a time when the property market was facing a difficult period. Whilst the property market has improved today, there are still many empty properties which are attracting a rates liability and therefore we are frequently being asked to advise on mitigation strategies. Some of the options available to property owners include:

Short-term lettings

Owners of void or potentially void properties will need to budget for their additional liability and consider ways to reduce it, such as short-term letting. A tenancy for at least six weeks, if genuine, allows the owner to claim a further period of relief if the property becomes empty again. However, there is potential for dispute with the local rating authority if this strategy is pursued.

Use of premises by owner

The owner may wish to occupy the empty premises (eg, for storage purposes) for a period of at least six weeks. Upon vacation, this will trigger a new empty rates holiday. However, two factors must be considered:

Firstly, the owner must notify the local authority of the precise period during which it occupies the empty property and ensure that the period of occupation is at least six weeks, otherwise, it will fail to qualify for further relief when it vacates the property.

Secondly, the owner must ensure that its use is consistent with the building's permitted planning use.

Charities

Registered charities are liable for only 20% of full business rates while in occupation and local authorities may exercise their discretion to award up to 100% relief. Moreover, registered charities are exempt from liability for empty rates. Allowing a charity to use a building, even on a rent-free basis, is an effective means of avoiding empty rates liability. Landlords can even make a charitable contribution equivalent to the 20% rates bill incurred by the charity, which can be offset against tax. Such an arrangement may have the added benefit of fostering a good public image for the landlord.

Demolition or vandalism and anti-avoidance provisions

The most obvious and dramatic consequence of the rating reforms is that many property owners are demolishing buildings - especially older industrial properties - to avoid incurring empty rates.

A comparably drastic solution to which some landlords may yet resort is termed 'constructive vandalism' - a solution which avoids rates liability due to the fact that business rates are payable only on properties which are capable of beneficial occupation. However, this strategy is fraught with danger, efforts to have properties rating assessments reduced or deleted through 'soft striping' have met with strong resistance from the Valuation Office Agency the governments guardian of the rating list.



Appealing rateable values

The increase in empty rates liability has led many property owners to challenge the rateable value of their property by appealing the assessments set by the Valuation Office Agency. If the appeal is successful, this will result in a change to the rateable value of the property, hence reducing the liability over the period of the rating list.

Unfinished buildings

As rates are payable only on buildings capable of beneficial occupation, unfinished buildings do not qualify for rates. Thus, developers could consider deferring practical completion until occupiers for the units have been secured. A complication is that local authorities have the power to serve completion notices in respect of new developments that are within three months of practical completion. Developers therefore should seek professional advice in order to avoid an earlier than anticipated liability.

Further Information

If this article is of interest and you would like to know more about empty property rates and business rates assessments and appeals, please contact Ken Whittington on 0113 243 0101 or Stewart Carter 0870 853 2263.

Status of Building	Rates Status	
	Before April 1 2008	After April 1 2008
Unoccupied commercial building (eg, retail unit)	Exempt for three months, then 50% of occupied rate payable	Exempt for three months, then 100% of occupied rate payable
Unoccupied industrial building (eg, warehouse)	Exempt	Exempt for six months, then 100% of occupied rate payable
Building occupied by charity	10% payable; possibility of discretionary relief	Exempt
Listed building	Exempt	Exempt
Building occupied by insolvent company	Exempt if company in liquidation	Exemption extends to companies in administration

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The prices and their particulars regarding properties are correct at the time of going to press but, as prices can be altered by the vendor at any time, interested potential buyers would be advised to check the latest position with us prior to making any inspection.

MISREPRESENTATION ACT 1967
Important notice

Eddisons is the trading name of Eddisons Commercial Ltd and Eddisons Commercial (Property Management) Ltd (The Company).

The Company for itself and for the vendor(s) or lessor(s) of this property for whom it acts as agents gives notice that:

- (i) The particulars are a general outline only for the guidance of intending purchasers or lessees and do not constitute an offer or contract.
- (ii) All descriptions are given in good faith and are believed to be correct, but any intending purchasers or lessees should not rely on them as statements of fact and must satisfy themselves by inspection or otherwise as to their correctness.
- (iii) None of the building's services or service installations have been tested and are not warranted to be in working order.
- (iv) No employee of the Company has any authority to make or give any representation or warranty whatever in relation to the property.
- (v) Unless otherwise stated all prices and rents are quoted exclusive of VAT.
- (vi) Where applicable an Energy Performance Certificate is available upon request.

deals done

Quayside,
Salts Mill Road, Shipley



Acting for JCT 600 Properties, our agency team has agreed a deal on this prominent showroom. The property extending to 7,000 sq ft was sold off an asking price of £700,000 to The Rizues Ltd.

Prince of Wales Works,
Armytage Road, Brighouse



This 27,810 sq ft warehouse unit has a new tenant thanks to our agency team. The property in a well located position was let off an asking rent of £115,000 to Aflex Hose Ltd.

110 Caledonia Street,
Bradford



Acting for TTF Ltd, our agency team has disposed of this industrial building. The property extending to 3,551 sq ft was sold off an asking price of £175,000.

Unit 1, Bingley Street, Bradford



Our agency team has disposed of this 4,018 sq ft modern industrial unit. The property was sold off an asking price of £250,000 to Durapol Ltd on behalf of retained client Marrtree Ltd.

Penistone Road, Huddersfield



The Department of Health has been advised on the disposal of surplus land by our agency team. The prominent roadside site extending to 0.94 acres was sold off an asking price of £300,000 to a local occupier.

16 Cross Church Street, Huddersfield



Acting on behalf of the executors of an estate, our agency team has disposed of this town centre investment property. The property, extending to 1,300 sq ft was sold off an asking price of £145,000 to a local investor.

Unit 9, Trafalgar Court, Cramlington



Our agency team has disposed of this 5,105 sq ft industrial unit. The property was sold off an asking price £150,000.

115-119 Holme Lane, Sheffield



This builder's workshop with secure yard has been sold by our agency team off an asking price of £400,000.

369/373 Abbeydale Road, Sheffield



Our agency team has sold this retail unit with 1st floor development opportunity off an asking price £300,000.

Bradford Road,
Birstall Smithies, Batley



This prominently located car showroom and workshop complex has been sold by our agency team off an asking price of £1.25 million.

Kingfisher Court,
Thwaite Street, Cottingham



Our agency team has sold this freehold residential investment in Cottingham. The property was sold off an asking price £1.25 million.

Huntsman House & Brearley House,
Edward Street, Sheffield



A Residential student block investment in Sheffield has a new owner following a marketing campaign by our agency team. The two student blocks were sold off an asking price of £5.25 million.

Mary Page House, Solly Street, Sheffield



Our agency team has disposed of a residential student block investment in Sheffield off an asking price of £1.75 million.

Lea Mills, Lea Road, Batley



Lee Mills in Batley is now fully let following a series of lettings by our agency team. The 37,147 sq ft industrial complex – is now for sale as an investment and offers are invited for the freehold.

Mabgate Business Centre, Leeds



Our agency team has disposed of this 10,834 sq ft office building. The property, with development potential was sold off an asking price of £300,000.

A View from the Rostrum

Tony Webber, Director and Head of our busy Property Auction department has taken a look at the Property Auction market over the course of this year and documented his findings below.

The auction market has been brisk so far this year with ever increasing numbers of buyers attending, and familiar faces returning to our sale rooms in Leeds and Manchester. This has resulted in total proceeds of £52,696,936 being generated at our 12 sales up until the end of September.

These results have been achieved during a period when buyers have remained circumspect in their purchasing decisions, with interest focussed mainly on those tenanted commercial and residential lots giving the best rental returns, or, on vacant properties offering the prospect of longer term capital growth.

Throughout the year the difficult external borrowing conditions have prevailed, forcing buyers to use their own hard earned funds to finance any purchases. This has been

reflected in the limited demand for higher priced stock and placed a greater emphasis on value for money and return on investment.

Tenanted stock has performed consistently well, with those delivering the highest yields being most in demand. Yields for the first half of the year have regularly surpassed 10%, significantly out performing traditional investment vehicles.

There has also been a small but noticeable increase in the disposal of development land, which was out of favour for much of 2010. It is unlikely that this heralds a major upturn in the sector, but any signs of developer confidence should be seen as positive.

Vendors have also contributed to the strong sales performance by taking our advice and setting guide prices which reflect current market conditions.



As we approach the second half of our auction year, economic uncertainty remains. Borrowing is still difficult to arrange, however there is evidence of more residential buy to let mortgage products in the market and some limited bank lending.

Traditional investments also continue to under perform which we expect to be

reflected in the number of people turning to auctions, on the look out for alternative investment opportunities.

For more information about our auctions or for a free auction appraisal of your property, please call 0845 505 1200

Free Energy from the Sun!

As energy costs increase year on year so does the need to produce and conserve energy. Our Building & Project Consultancy team have extensive experience in the sustainability market and can tailor a solution to meet client needs. The most popular form of energy production is solar PV which is supported by Government Feed in Tariffs (FT'S), however the time to act is now.

How a Solar PV System Generates Electricity... and Income

A solar photovoltaic (PV) cell is a technology that converts light from the sun into electric current. Solar PV panels convert daylight, rather than direct sunlight, into electricity – so even in typically cloudy UK conditions they can still be relied upon to produce energy.

Solar power is a clean and renewable energy source with no harmful emissions, it is silent and totally environmentally friendly.

Over the past five years, the average energy bill has doubled... so what can you do about it?

By installing solar PV panels on your roof you can generate your own free electricity and be paid to generate it. You can even sell any surplus electricity back to the National Grid. Photovoltaic panels can be installed on most building types, including offices, warehouses, factories, farm buildings and even agricultural land.

Feed-in Tariffs

Feed in Tariffs were introduced by the Government on 1st April 2010 and are generous incentive

payments made to households and business for generating clean, renewable energy.

If you install solar PVs on your roof you will receive a Generation Tariff of 43.3p for every unit (kilowatt) generated (for a typical domestic system) and an additional 3p Export Tariff for every unit exported to the National Grid.

How We Can Help

Our Building & Project Consultancy department works in partnership with a number of approved contractors to obtain best value and can provide a full turnkey service including:

- Site survey to determine if your building / site is fit for purpose
- Detailed analysis of installation costs and financial return on investment
- Obtaining all necessary consents
- Project managing the installation
- Managing the contractual relationship between the client and PV installer

For more information on how we can assist you please contact: Ian Harrington 0113 209 1039
ian.harrington@eddisons.com



1. Daytime



2. Inverter



3. Generator



4. Night-time



5. Surplus electricity



6. Consumer unit

Managing Vacant Properties – Solutions for Property Owners

Nick Towns, Head of Eddisons Insurance Services explores ways property owners can effectively manage their empty properties.



The risks associated with vacant properties is an increasing concern for both Landlords and Insurers. The high cost of scrap metals and lead makes the properties particularly vulnerable to speculative thieves who can cause extensive damage. In addition the impending changing weather conditions introduce the risk of burst pipes and storm damage.

Insurers are increasingly looking to reduce the basis of cover by excluding theft, malicious damage, storm and water damage claims for vacant properties.

It is essential that the Landlord pro-actively assess each of their empty properties and protect the property to an adequate standard so as to maintain insurance

cover. As a minimum, Insurers will typically require basic precautions including:

- Prevent the likelihood of burst pipes by maintaining an adequate level of heating (from November to March) or drain down all water systems
- Isolate and disconnect gas and electricity mains services
- Remove all waste and combustible materials from inside and outside of the property
- Turn off electrical supplies at the mains unless required to maintain intruder and fire alarms
- Secure the premises
- Inspect the property internally and externally weekly

Each property however needs to be reviewed based on the exposure and special consideration should be given to:

- Perimeter Security
- Boarding of Windows and Security Doors
- Manned Guarding
- Permanent and Temporary Alarm Systems
- Assistance from Neighbouring Tenants

In direct response to these challenges, Eddisons has developed a number of services including:

- Remote Zone – A cost effective vacant property solution which provides an Insurer and Police approved temporary alarm system, property monitoring and alarm response. The alarm system can be installed with a short lead time and does not require mains power or a phone line.
- Eddisons Insurance Services specialises exclusively in the provision of Property Insurance. The business was launched in 2010 and already arranges insurance for over 1,200 commercial and residential properties

- Our Rating team can help clients by auditing their rating liabilities and challenging where they are deemed to be excessive. With regard to Empty Property Rate Liabilities, there are various routes which can be taken to reduce liabilities which are covered in the article by our rating team on Page 3.

For further information in respect of the above, please contact Nick Towns (Director – Head of Insurance Services) at nick.towns@eddisons.com



Nick Towns



A Selection of 'Big Sheds' Currently Available

STALLINGBOROUGH

North Moss Lane Industrial Estate

- Substantial transport/ haulage depot.
- Modern industrial/warehouse accommodation.
- Extensive surfaced yard and hard standing.

8,001 m² (87,826 sq ft) on 7.96 acres



FOR SALE/TO LET

0113 241 0940

REF: 720.2964A

PETERLEE

North West Industrial Estate

- Industrial/warehouse complex
- Good yard/circulation areas plus expansion land.
- Average eaves height 10m/30ft

10,466 m² (112,659 sq ft) on 10.46 acres



FOR SALE

0113 241 0940

REF: 720.2797A

SCUNTHORPE

Foxhills Industrial Estate

- Warehouse/distribution and offices
- Extensive site of 1.75 ha (4.33 acres)
- Opportunity to acquire freehold

8,272 m² (89,011 sq ft)



FOR SALE

0113 241 0940

REF: 720.2614A

HARTLEPOOL

Tofts Farm Industrial Estate

- Modern industrial/warehouse unit
- Excellent motorway access to the A19
- Expansion land to the rear of 1.28 acres

8,080 m² (86,960 sq ft)



FOR SALE/TO LET

0113 241 0940

REF: 709.1651A

BATLEY

Grange Road Industrial Estate

- Warehouse/Industrial unit
- Close to Junction 28 M62 and Junction 40 M1
- Large yard/parking areas and eaves height of 7.2m

4,431 m² (47,704 sq ft)



TO LET

01484 533 151

REF: 711.2654A

BIRSTALL

Unit 1, Holden Ing Way

- Prominent warehouse/industrial unit
- Excellent position fronting M62 at J27
- Good yard/parking on a site of 2.41 hectares (5.96 acres)

13,018 m² (140,133 sq ft)



FOR SALE/TO LET

01274 734 101

REF: 711.2251A

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