



babcock

Investment Opportunity

Let to Babcock Rail Limited
until 2025 with annual fixed uplifts

STEPHENSON HOUSE

8 Stephenson Place
Hamilton International Park
Blantyre Glasgow G72 0LH

High quality purpose built warehouse
and office with training centre

STEPHENSON HOUSE



Executive Summary

- The property is let to Babcock Rail Limited (Babcock) on a 16 year FRI lease expiring 23rd February 2025
- A current rent of £937,819 per annum
- Fixed annual (February) rental uplifts of 1.50% per annum
- Income certain until the end of the lease is £8,499,867 (23 August 2016 calculation date)
- A modern, purpose built warehouse and office that also serves as Babcock's only Scottish training facility and one of only two in the UK
- The property extends to 6,464 sq m (69,575 sq ft) GIA
- Located in Hamilton International Park, 13 miles south east of Glasgow
- Adjacent to the planned relocation of the University of the West of Scotland campus
- Heritable interest (the Scottish equivalent of English freehold), capable of being acquired for a nominal sum
- Site area of 2.29 hectares (5.67 acres)
- Babcock's Scottish office HQ, Kintail House is also located on Hamilton International Park
- **Offers in excess of £9,050,000 (Nine Million and Fifty Thousand Pounds) are invited exclusive of VAT, reflecting a net initial yield of 9.76% after purchaser's standard acquisition costs of 6.20%**



Description

Babcock centralised corporate functions, all operational staff and its training facilities to a single location. The first stage of this process was the acquisition of Kintail House in 2006 at Hamilton International Park, which remains Babcock's HQ facility.

Stephenson House was acquired subsequent to Kintail House to centralise all of Babcock's operational staff, their Training & Competence Centre and other HQ support functions.

Stephenson House has 130 permanent staff with a further 220 members of staff accommodated at Kintail House.

In addition to providing services and office support functions to Kintail House, the tenant utilises the building to provide a single, multi-skilled operational depot for Babcock's Scottish based contracts, with state of the art facilities.

The warehouse is also utilised for storage and rail track assembly/repair training. Externally and to the rear of the property, there is a gas storage compound and covered welding training facility.

The property benefits from its own railway test track which runs the full length of the property along the site's southern boundary. This is used for the training of track skills and safety skills.

The building comprises a traditional warehouse design, with enhanced provision of office and training accommodation on two levels. The warehouse facility provides

approximately 70% of the stated GIA accommodation.

Stephenson House was developed in 2008 to a high specification and includes:

Warehouse

- Double span portal frame
- Clear internal eaves of 8 metres
- Reinforced, power floated concrete slab and fired heaters
- High bay lighting
- Two electrically operated roller shutter doors

Offices

- Reinforced concrete first floor slab, with raised access floors
- Double height entrance / reception area
- Eight person passenger lift
- VRV heating system
- Floor to ceiling height of 2.85 metres



Accommodation

The accommodation provides 6,464 sq m (69,575 sq ft) GIA within the main building.

For illustrative purposes, the division between the uses is as follows:

ACCOMMODATION	SQ M	(SQ FT)
Warehouse	4,480	(48,220)
Office	1,984	(21,355)
TOTAL	6,464	(69,575)

In addition, there is a welding training facility extending to 226 sq m (2,435 sq ft) GIA.

Stephenson House benefits from 192 car parking spaces (including 12 disabled spaces).





Tenure

The site is held on two long leasehold interests on coterminous terms – one lease for Plot 9A and one lease for Plot 9B. The duration of each lease is 125 years from 27 January 2003. The rent on each site is £1 per annum if asked.

There is an option to purchase the heritable title (the Scottish equivalent of English freehold) in both ground leases which can be exercised for £1.

Site Area

The combined site is known as "Plot 9" and extends to approximately 2.29 hectares (5.67 acres).

Tenancy

The property is let to Babcock Rail Limited on a 16 year FRI lease expiring 23rd February 2025.

The current passing rent is £937,819 per annum. The rent review provision allows for annual increases of 1.50%. The next review is scheduled for 23rd February 2017.

The original letting terms were structured with reference to the tenant's enhanced specification requirements. The initial rent was based upon applying differential rates to the office and warehouse uses within the building.

Tenant Covenant Information

Babcock Rail Limited is a division of Babcock International Group.

Babcock Rail Limited support Network Rail and other rail industry customers in providing safe, reliable and efficient rail networks across the UK. Babcock is the largest conventional plain line track renewals company in the country with over 50% of the market. With their partners Alstom and Costain, under the ABC Electrification joint venture, Babcock is also one of the largest electrification companies in the country.

In addition, Babcock is a major provider of engineering services in track projects, electrification and power, signalling, telecommunications and on-track plant.

For further information see:
www.babcockinternational.com/Sectors/Rail

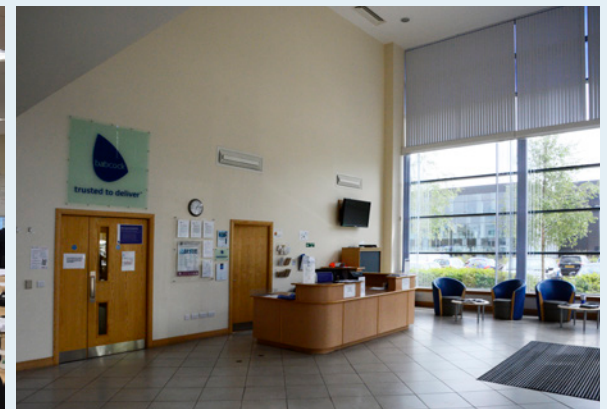
The most recent Experian credit rating and financial figures for the tenant are summarised as follows:

TENANT	DELPHI SCORE	CREDIT LIMIT	CREDIT RATING	DELPHI BAND	FAILURE ODDS
Babcock Rail Limited (Co. No: 02999826)	100	£2,300,000	£780,000	Very Low Risk	176:1

The most recent available accounts for the tenant are summarised as follows:

	PERIOD ENDING 31/03/2015 (£000'S)	PERIOD ENDING 31/03/2014 (£000'S)	PERIOD ENDING 31/03/2013 (£000'S)
Sales Turnover	£192,886	£218,892	£190,947
Profit / (Loss) Before Taxes	£15,290	£12,451	£9,061
Tangible Net Worth	£85,409	£86,502	£70,815

STEPHENSON HOUSE



The value of the asset is underpinned by its location; the industrial and distribution sectors; the potential offered by the planned development of the University of West of Scotland campus and the success of Hamilton International Park.

Location

Hamilton International Park comprises a successful mixed use business park, commanding a strategic location at the heart of Scotland's Central Belt. The Park is situated approximately two miles north of Hamilton town centre, 13 miles south-east of Glasgow city centre and 45 miles west of Edinburgh city centre.

The Park lies close to Blantyre and is easily accessible via the A725 expressway from junction 5 (Raith Interchange) of the M74, 1km (0.5 miles to the east). Access will be improved further following the completion of the Raith Interchange upgrade works.

The Park is served by excellent bus routes as well as rail services from both Blantyre and Hamilton stations to Glasgow and other Lanarkshire destinations.



Hamilton International Park

Hamilton International Park comprises a purpose built business park set in 46.94 hectares (116 acres) of mature landscaped grounds. It is widely considered to be one of Scotland's most successful Enterprise Zones. www.hamiltoninternationalpark.com/#1

The park provides 1.3 million sq ft of commercial space across a mixture of office and industrial accommodation as well as a retail parade. Hamilton International Park is home to over 6,300 employees across 80 companies including Scottish Power, John Lewis, HSBC, Carillion, Scottish & Universal Newspapers and Babcock Rail.

A number of national operators provide amenities to the park occupiers including Greggs, HSBC, Lloyds Pharmacy and as well as a nursery, dentist and a newsagent.

The developer of the Park, HF Developments completed the speculative development of Eco Campus, situated to the south of the Park and comprising 224,300 sq ft over three modern office pavilions. The space is currently under offer to the University of the West of Scotland. The proximity to local employers occupying other parts of the Park is seen as a major benefit of the campus relocation.

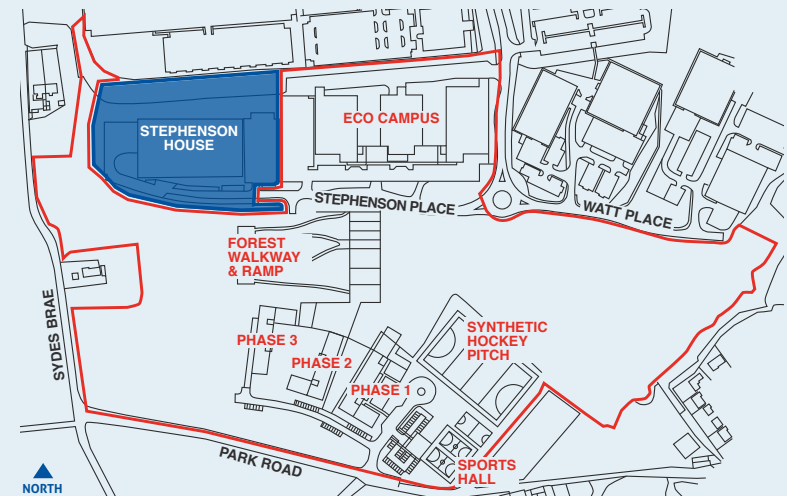
The University of the West of Scotland

The University of the West of Scotland (UWS) submitted a planning application (HM/16/0147) in April 2016 to convert the existing Eco Campus, adjacent to Stephenson House for university use, with additional development to the south to provide student accommodation, sports facilities, sports pitches, student's union, retail and landscaping. Further information can be found on South Lanarkshire Council's planning portal website and the "News" section of UWS's website.

The change of use application comprises three existing buildings (Eco Campus) extending to a total of 224,300 sq ft.

Associated with the change of use, it is also proposed to develop associated sporting facilities, with a three phase provision for a total of 500 on-site student accommodation units, within three blocks. The application was granted "permission in principle" on 24th May 2016.

We understand that the combined application site extends to 16.5 hectares (40.8 acres).



Industrial Market

Supply of industrial property continues to fall within the Greater Glasgow market and most locations in the West of Scotland. Availability has been trending downwards since late 2011 and asking rents have been rising since the middle of 2013. The development sector has shown greater interest in creating new product, however tender returns are showing a marked rise in construction costs and there are still few projects on site - certainly far too few to cater for active and latent demand.

The availability of modern industrial units in prime locations is now at critically low levels for a city of Glasgow's size. A lack of space is now restricting take-up and the vacancy level has plateaued not because of a lack of demand, but because some of the available space is unsuited to current needs. Thousands of square metres of obsolete industrial buildings are included in the already low vacancy rate of c8.4% for the Greater Glasgow area (CoStar). The availability of modern, unoccupied space is much lower.



Contact Details

For further information or if you wish to arrange a viewing, please contact:



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VAT

The property is elected for VAT.

Capital Allowances

No capital allowances are available.

TOGC

It is anticipated that the sale will be treated as a Transfer of a Going Concern.

EPC

An EPC can be made available upon request.

Data Room

Further information can be found at the data site, with access being provided upon request.

Investment Proposal

Offers in excess of £9,050,000 (Nine Million and Fifty Thousand Pounds) are invited exclusive of VAT, reflecting a net initial yield of 9.76% after purchaser's standard acquisition costs of 6.20%.

A purchase at £9,050,000 would provide the following running yield profile;

DATE	NIY
2016	9.76%
Feb 2017	9.90%
Feb 2018	10.05%
Feb 2019	10.20%
Feb 2020	10.36%
Feb 2021	10.51%
Feb 2022	10.67%
Feb 2023	10.83%
Feb 2024	10.99%

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