FOR SALE

UNIT 4 MONKTON BUSINESS PARK

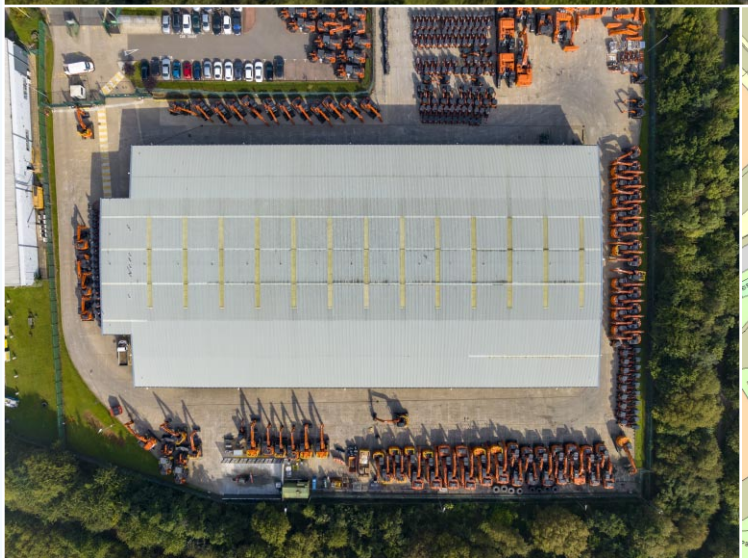
South Tyneside NE31 2JZ

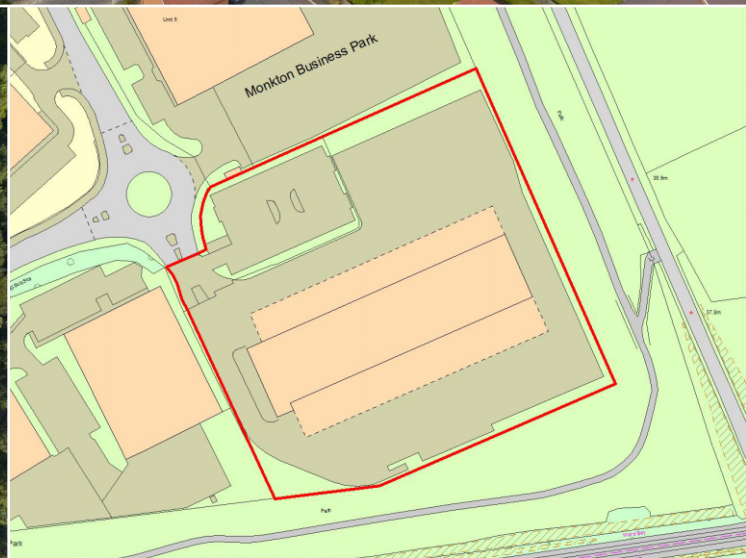
NorthCap

Prime, long income industrial opportunity let to a market-leading global brand

Executive Summary

- A modern, purpose-built industrial facility located at Monkton Business Park, Hebburn; a prime mid-box estate in South Tyneside with excellent access to the A184(M), A1(M) and within the Nissan Tier 1 supplier radius.
- Total Gross Internal Area of 33,021 sq ft (3,068 sq m), on a site of 4.57 acres (16.2% site coverage). The property features 24 loading bays in a cross-bay layout, alongside extensive canopies totalling 30,203 sq ft to the northern and southern elevations.
- Fully let to Hitachi Construction Machinery (UK) Limited; the UK subsidiary of Hitachi Construction Machinery Co. Ltd, a Nikkei-listed global leader in the manufacture, supply and maintenance of excavators and heavy construction machinery.
- The tenant owner-occupy an adjacent unit and the combined Monkton Business Park campus forms their UK HQ. Hitachi's expansion into the subject site is a response to strong business growth and workforce expansion.
- South Tyneside is a mission-critical location for Hitachi Construction Machinery due to shipping links to the Netherlands. Local supply of similar grade mid-box stock is under severe pressure, offering excellent reversion potential.
- The tenant have committed to extensive ESG-focussed works, future-proofing energy performance and minimising carbon impact.
- **Offers sought in excess of £6,000,000 (Six Million pounds), equating to a net initial yield of 4.85% after purchaser's costs of 6.63%.**





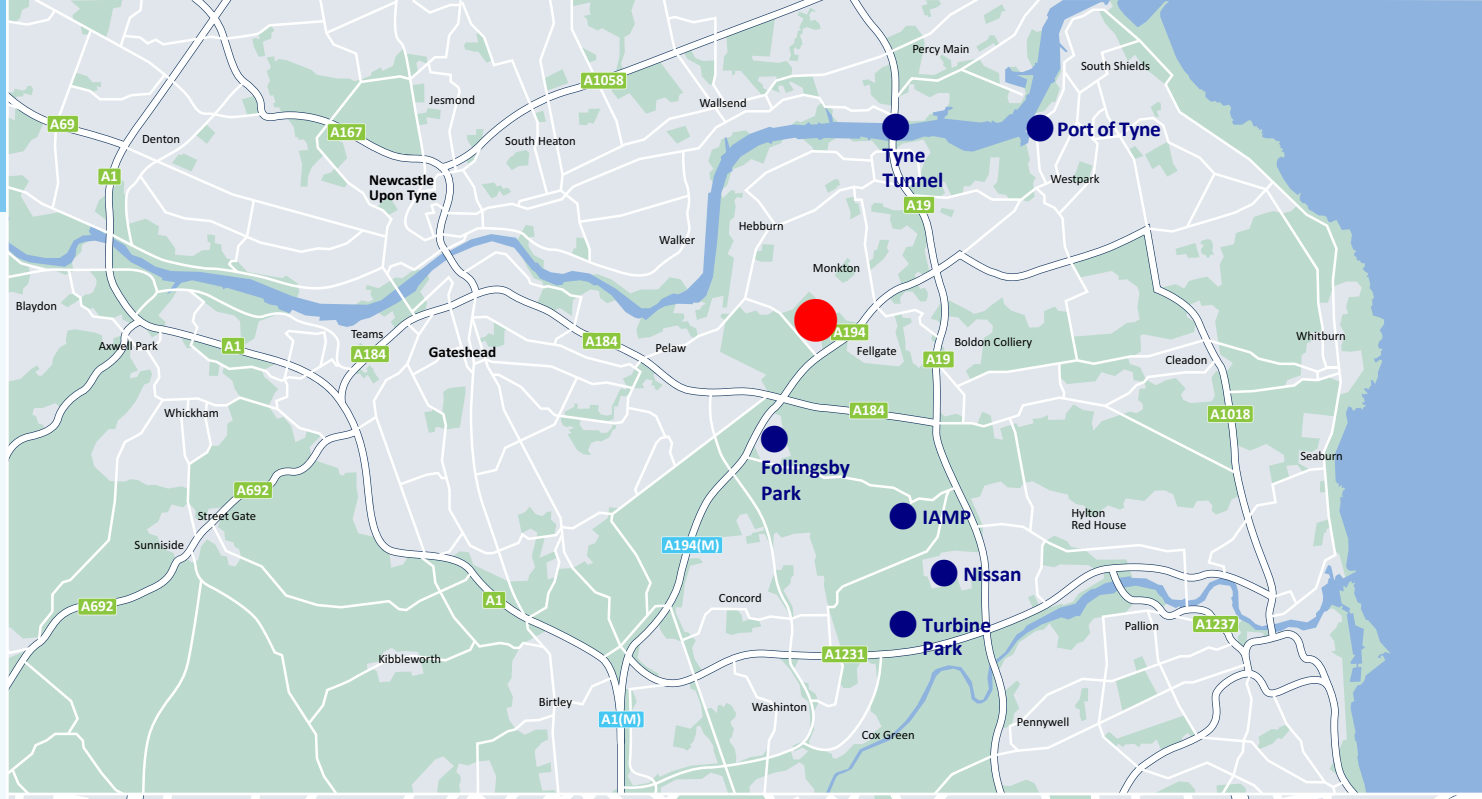
Location

The subject property is located at Monkton Business Park North, an established commercial estate in South Tyneside situated between the key trunk routes of the A194, A1(M) and A19.

The local area is host to a strong industrial market, with nearby estates including L&G's Follingsby and Hillthorn Park developments, alongside the manufacturing and distribution belt concentrated around the A1231 Sunderland Highway; now considered the prime industrial pitch for the North East.

Monkton Business Park is situated within the Tier One supplier radius for the Nissan Washington manufacturing plant, which ensures consistent demand for any new vacancy in the area. Nissan employ over 40,000 individuals within the plant curtilage and across their supply chain. Employment figures associated with Nissan (and commensurate space requirements) are expected to increase in the short to mid-term as the brand pivots to EV and battery manufacture, in line with their £1Bn EV360 commitment.

The principal occupiers at Monkton Business Park include The North East Ambulance Service NHS Trust, Amazon, Tegrel, Hotpoint, Whistl and Inchcape Retail.



Description

The subject property comprises a modern detached industrial unit of steel portal frame construction, surmounted by a curved roof structure with profile cladding envelope.

The property benefits from a cross bay layout incorporating canopies along the northern and southern elevations, which provide covered loading access to the extensive yard. The unit features a total of 24 loading bays, two of which are dock levellers.

Internally, the unit provides warehousing accommodation arranged over a solid concrete slab and an eaves height of approximately 7.25m.

The unit also incorporates 2-storey integrated offices and staff welfare facilities at the western elevation, providing modern office accommodation with raised access floors, suspended ceilings.

The incoming tenant has committed to extensive energy performance and security works, alongside the installation of a heavy duty gantry crane.

Accommodation

The unit provides the following Gross Internal Areas:

Use	Areas (GIA)	
	Sq ft	Sq m
Warehouse	29,101	1,704
Ground Floor Offices	1,960	182
First Floor Offices	1,960	182
Totals	33,021	3,068

The property also provides extensive canopies totalling 30,203 sq ft (2,806 sq m) located at the northern and southern elevations.

Tenure

Freehold.

Tenancy

The property is fully let to Hitachi Construction Machinery (UK) Limited for a term of 20 years without break from 14 July 2023 at an initial rent of £310,500 per annum

Rent reviews are every fifth anniversary of the term on an upwards only basis to open market rent, on the same basis as the existing lease, save the term to be assumed at each reviews is the unexpired residue of the lease term.

The rent passing devalues to £6.25 on the main unit, £2.15 per sq ft for the canopied areas and £40,000 per acre per annum for the excess service yard (i.e. above 40% site cover).

The tenant is obliged under the terms of the lease to undertake the following ESG works at their own cost within 18 months of lease commencement. It anticipated that these works will improve the EPC from C (55) to A (22):

- Remove the gas fuelled radiant heater in the workshop/ warehouse area and replace with an alternative heating technology (i.e. heat pump) with SCOP higher than 2.4.
- Replace the existing gas boiler and split AC units with electric panel heaters in place of radiators and high efficiency AC units to serve all remaining heating/cooling demands of the office/staff welfare facilities.
- Fit 4 x de-stratification fans in the workshop/warehouse area.
- Ensure all LED lighting in warehouse achieves a minimum efficacy of 120 lm/cW

NOTE: The ESG works noted above are not to be disregarded at review (i.e. any positive impact on rent related to their installation will be captured at each future rent review).

HITACHI

Tenant Profile

The tenant, Hitachi Construction Machinery (UK) Limited (CRN 01082975) are a wholly-owned subsidiary of Hitachi Construction Machinery (Europe) NV. The latter company forms part of the Hitachi Construction Machinery Global group, one of the world's largest manufacturers of construction equipment. Hitachi Construction Machinery are listed on the Nikkei-225 and employ 25,430 individuals globally with an annual turnover of £1.28Bn yen.

The UK subsidiary, formerly HM Plant (the official UK distributor and servicer of Hitachi Construction products), was acquired by Hitachi in 2007 and completed the corporate rebrand in 2014. The company relocated to Monkton Business Park in 2004 to allow easier trading with the Netherlands-based parent company and currently owner-occupies a 65,000 sq ft facility immediately to the north of the subject property. The combined Monkton Business Park footprint, which totals 12 acres, comprises the UK headquarters for Hitachi Construction Machinery in an industry-leading facility, driven by rapid business growth and employee headcount increasing by 38% in the last 12 months.

The subject property will accommodate machinery manufacture and maintenance, with the cross-loading layout providing the ideal platform for high-tech service bays.

We have detailed key financial information for the tenant below:

Year End	Turnover	Pre-Tax Profit	Net Worth	Creditsafe Rating
31/03/22	£259.64M	£7.49M	£19.64M	93 (Very Low Risk)
31/03/21	£213.66M	£1.68M	£14.69M	
31/03/20	£247.05M	£6.45M	£17.44M	

Local Market Commentary

The North East industrial market (encompassing Newcastle, Sunderland / Washington and Northumberland) benefits from access to three deep sea ports and a diverse demand base.

The growth of North East stalwarts such as Nissan, who are pressing ahead with a 1.2M sq ft expansion, is complementary to non-native manufacturing companies moving to the region in search of affordable space and the benefits of workforce agglomeration.

These increasing occupier requirements combined with limited delivery of new stock has driven logistics vacancy to just 2.9%, well below the historical average of 5.0%. Annualised ERV growth in the region has followed suit, showing 4.96% per annum since 2015 and 8.7% in the last 12 months. We are aware of the following recent lettings transactions which are of relevance:

Date	Property	Size (sq ft)	Tenant	Rent (psf)	Comment
U/O	**Unit 14, Follingsby Park**	37,716	**TBC**	£7.50	Refurbished 20-year old building located within one mile of the subject. BREEAM Excellent & EPC A. PV modules installed. Lease term TBC.
06/23	**Infinity Park, Hebburn**	16,469	**LV Logistics**	£7.50	New 10 year unbroken lease with 6 months rent free. Infinity Park is located immediately to the south of Monkton BP (this unit abuts the subject site).
01/23	**L6, Tyne Tunnel Trading Estate**	48,000	**Elanders**	£7.50	Newly-delivered unit with institutional-grade spec in a similar grade location to the subject, albeit north of the River Tyne.
10/22	**TB20, Turbine Way, Washington**	20,000	**Bathroom Cladding Centre**	£7.50	New build unit with 8m eaves on Copley Point's spec-funded Turbine Business Park scheme. 10 year unbroken lease with OMRR at year 5.
03/22	**15 Portobello Trading Estate, Birtley**	22,796	**Northern Building Plastics**	£7.00	New 10 year lease. Modern stock (2015 build). Inferior location to Monkton Business Park at Birtley
02/22	**Eight Avenue West, Team Valley, Gateshead**	45,000	**NTG**	£8.00	New build unit. Historically prime industrial location for the North East, though now suffering from traffic management issues.

In addition, we understand that L&G's Hillthorn Park will record £8.50 per sq ft for a mid-box unit in the coming weeks, setting a new regional peak rent for that sub-sector.

The letting within the subject property to Hitachi Construction Machinery was undertaken off-market. If the unit was openly marketed to let, our belief is that an ERV of £7.50 per sq ft for the main unit is appropriate, with £2.50 per sq ft applied to the canopies and £40,000 per acre for excess yardage. The projected global ERV of £360,750 reflects a premium of 16.2% to the rent passing.

Investment Market

Date	Asset	Description	Tenant	WAULTC	£	NIY	£ psf
09/23	**Stirling 150, Solihull**	149,845 sq ft modern unit on an established estate with access to the M42	**DHL**	5.75 years	£20.50M	4.20%	£137
09/23	**Tachbrook Park, Leamington Spa**	37,364 sq ft unit centrally located in Leamington Spa	**Travis Perkins**	25 years	£8.875M	4.50%	£238
03/23	**Rd No. 3, Colwick, Nottingham**	20,484 sq ft purpose-built unit. Acquired on a forward commitment basis.	**MKM**	20 years	£4.275M	4.32%	£230
12/22	**Unit C1 Telford Way, Wakefield**	19,500 sq ft unit located on a strong estate with good M62 access	**Yorkshire Ambulance Service NHS Trust**	9.86 years	£2.475M	5.00%	£127
12/22	**Darby Road, Irlam**	53,208 sq ft distribution unit with low site coverage	**UPS**	4.7 years	£5.3M	4.87%	£100
08/22	**Kitwave, Wakefield**	65,000 sq ft newly-built distribution facility located at a prime M62 junction	**HB Clark**	20 years	£11.35M	3.27%	£174
03/22	**Velocity 194, Washington**	156,993 sq ft distribution facility, located within 3 miles of the subject property	**DPD**	25 years	£16.9M	3.90%	£103

EPC

Available on request. The tenant ESG works are anticipated to result in a rating of 22 (A).

Anti-Money Laundering Regulations

In accordance with Anti-Money Laundering Regulations, two forms of identification and confirmation of the source of funding will be required from the successful purchaser.

VAT

The property has been elected for VAT and it is envisaged that the transaction will be treated as a Transfer of a Going Concern (TOGC).

Proposal

We are instructed to seek offers in excess of **£6,000,000 (Six Million pounds)**, subject to contract and exclusive of VAT.

A purchase at this level reflects a **net initial yield of 4.85%** after purchaser's costs of 6.63%.

Contact

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