



EQUITABLE BUILDING

ST ANN'S SQUARE, MANCHESTER
PRIME RETAIL INVESTMENT





INVESTMENT SUMMARY

Location

Equitable Building provides a rare and exciting opportunity to acquire a landmark building in Manchester's prime retail core.

Manchester is the largest economic centre in England outside London and is the fastest growing regional capital centre in the UK, forming the focus of economic activity in the North West.

Description

The property comprises **9,058 sq ft** of retail accommodation subdivided into 3 units, arranged over basement and ground floors.

In addition there is **19,458 sq ft** of vacant retail accommodation on three upper floors, providing a number of potential opportunities, including conversion to office, hotel or residential uses.

Tenure / Tenancy

Freehold.

50% of the current income is secured for 10 years against Signet Trading Ltd, who represent a 5A1 D&B rating.

Current passing rent of **£722,500 pa.**

Proposal

We are instructed to seek offers in excess of **£12,500,000 (Twelve Million, Five Hundred Thousand Pounds)**, subject to contract and exclusive of VAT.

A purchase at this level represents a net initial yield of **5.42%**, taking into account acquisition costs of 6.72%.

MANCHESTER

Manchester is the administrative and commercial capital of the north west of England and is the largest economic centre in the country, outside London.

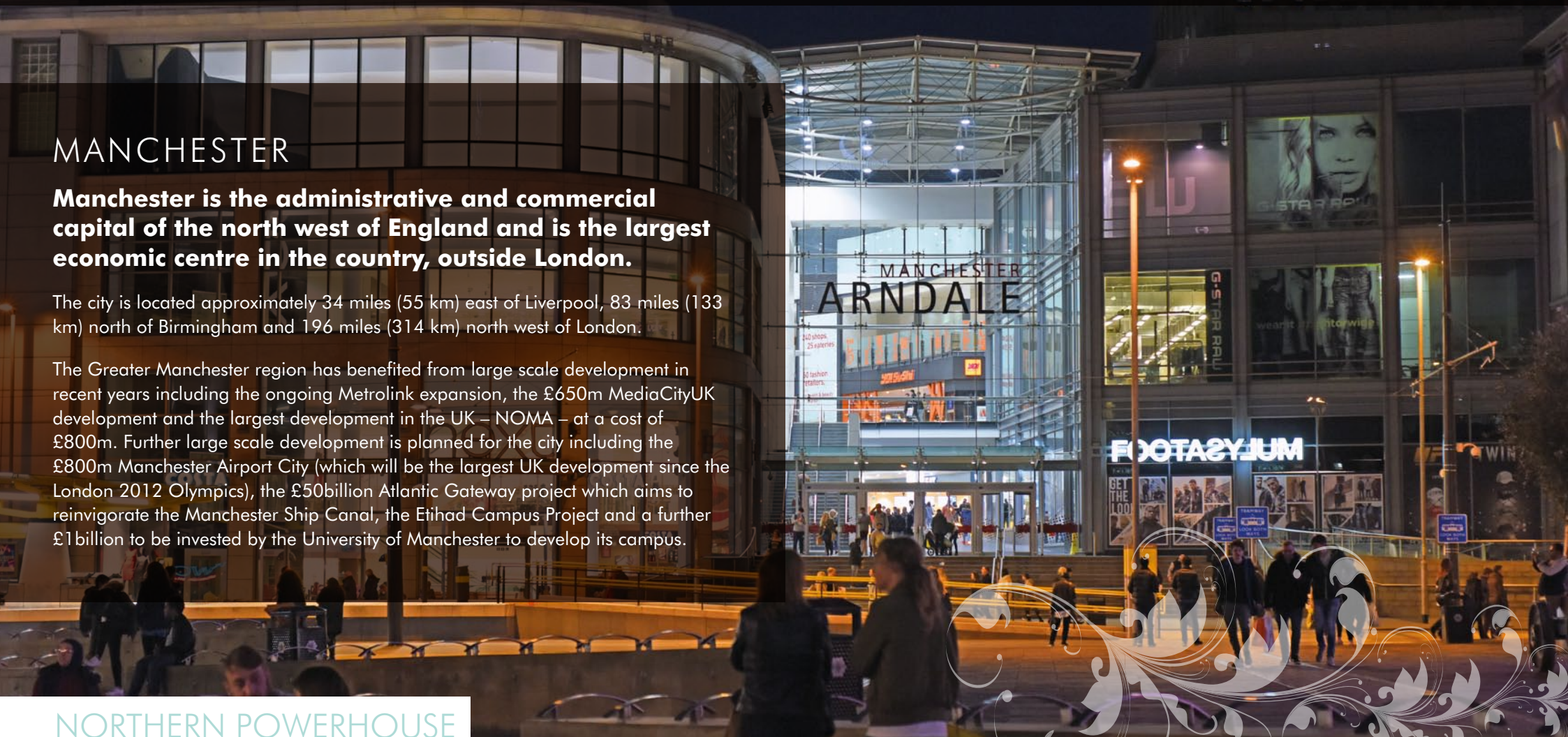
The city is located approximately 34 miles (55 km) east of Liverpool, 83 miles (133 km) north of Birmingham and 196 miles (314 km) north west of London.

The Greater Manchester region has benefited from large scale development in recent years including the ongoing Metrolink expansion, the £650m MediaCityUK development and the largest development in the UK – NOMA – at a cost of £800m. Further large scale development is planned for the city including the £800m Manchester Airport City (which will be the largest UK development since the London 2012 Olympics), the £50billion Atlantic Gateway project which aims to reinvigorate the Manchester Ship Canal, the Etihad Campus Project and a further £1 billion to be invested by the University of Manchester to develop its campus.

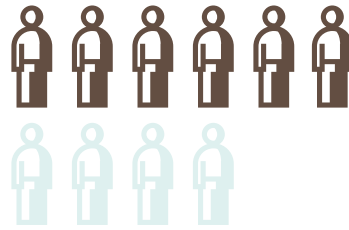
NORTHERN POWERHOUSE

The Northern Powerhouse proposes to boost economic growth across the North of England, targeting the core cities of Manchester, Liverpool, Leeds, Sheffield and Newcastle. Manchester lies at the heart of these plans, representing the largest – economically and geographically - of these core cities.

The initiative will focus devolved powers to an elected Mayor, including on housing, planning and transport policy. Approximately £13billion will be invested in transport infrastructure across the North, including the plans for High Speed 2 and 3.



2.6 MILLION
 people live in Greater Manchester



60% OF THE UK'S RESIDENTS WITHIN A 2 HOUR DRIVE OF THE CITY CENTRE



Vibrant cultural, leisure and sporting destination. World recognised football clubs, cricket, commonwealth games, museums and galleries.

Greater Manchester accounts for

£28 BILLION

of the regions GDP making it one of the most successful large urban Zones outside of London.



80/FTSE 100
 based in Manchester

MANCHESTER
 is predicted to outperform Berlin, Tokyo & Paris by

3.8% 2015 – 2020

15,000

additional jobs in the city centre by **2024**

MANCHESTER

is the largest and fastest growing regional capital centre in the UK, generating wealth equal to that of

SHEFFIELD

LEEDS

LIVERPOOL

combined



70,000
 students and highly educated workforce

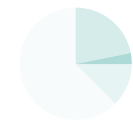
STRONG CIVIC LEADERSHIP

transformational change delivered by Manchester City Council and the Homes & Communities Agency over the last 20 years

GROWING PROFESSIONAL SERVICES INDUSTRY



law



management



finance



marketing



COMMUNICATIONS



Car

Manchester benefits from excellent communications with over 25% of the UK's motorway network running through the local area. The M60 arterial route provides connections throughout Greater Manchester an M62, M61, M66, M67 and M56 and providing a direct link to the national motorway network.



Tram

The city is served by the UK largest light rail network – The Metrolink – which stretches from Bury, Oldham and Rochdale to the north, Salford and Eccles to the west, Manchester Airport and Altrincham to the south and Ashton-under-Lyne to the west. Further expansion is underway to extend the service to Trafford Park and the Trafford Centre.



Air

Manchester Airport is located just 9 miles (14.4 km) outside the city centre and is the UK's third largest airport, handling c.22 million passengers a year with flights to over 225 destinations – more than any other UK airport.



Rail

Manchester has two mainline stations, Piccadilly and Victoria, which are supported by other localised city centre stations including Oxford Road, Deansgate and Salford Central. These stations provide links to all major UK destinations with three services per hour to London Euston (2 hours), and regular services to Liverpool (33 minutes), Leeds (49 minutes) and Birmingham (1 hr 30 mins).

The proposed High Speed 2 rail network has the potential to reduce journey times from Manchester to London to 1 hour 8 minutes.

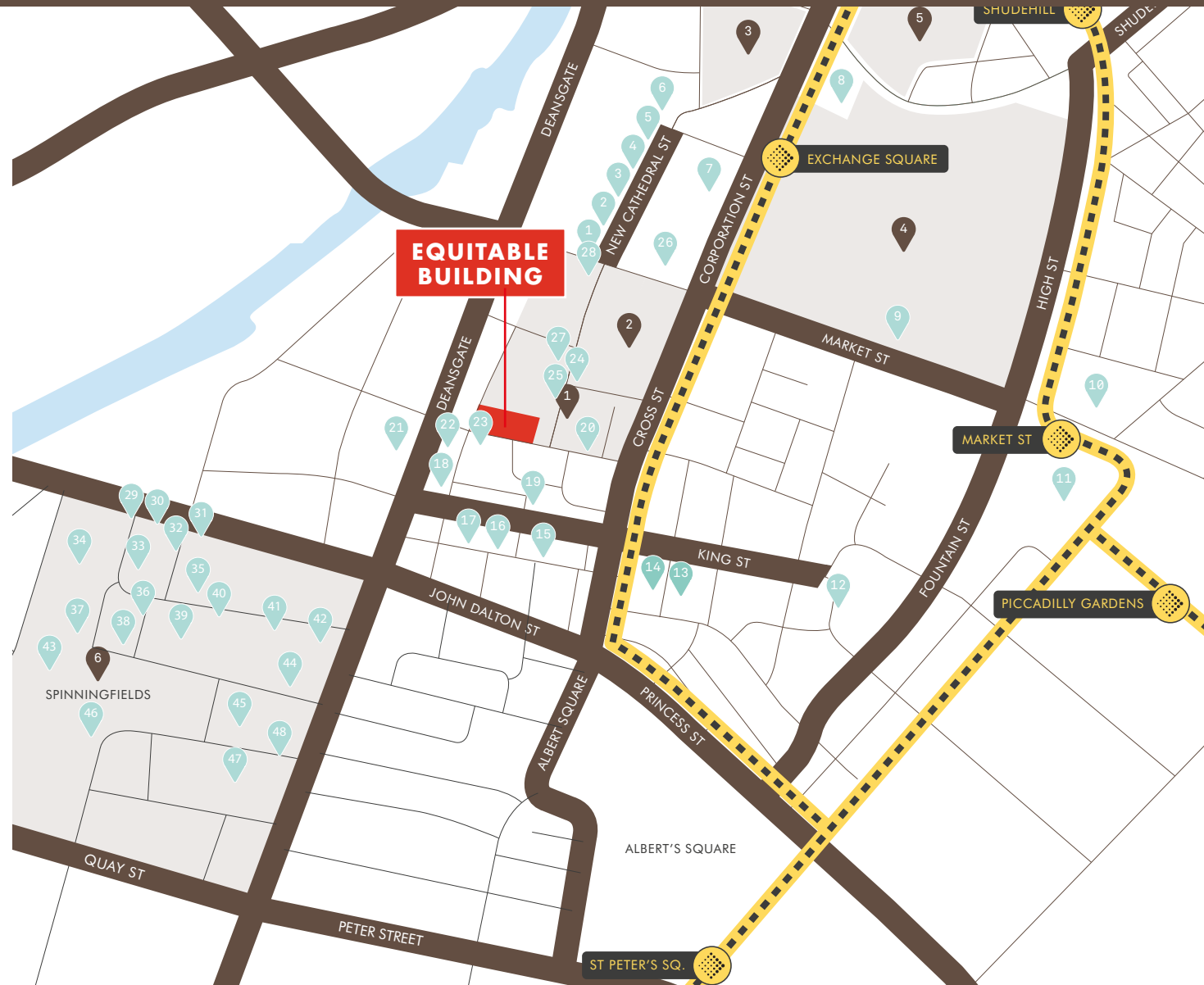
[CLICK FOR AMENITIES MAP](#)

KEY AREAS

1. St Ann's Square
2. Royal Exchange
3. Corn Exchange
4. Manchester Arndale Shopping Centre
5. The Printworks
6. Spinningfields

NEARBY RETAILERS

- | | |
|-----------------------|------------------------|
| 1. Zara | 25. Office |
| 2. Reiss | 26. M&S |
| 3. Ted Baker | 27. Barbour |
| 4. Ugg | 28. & Other Stories |
| 5. Hugo Boss | 29. Waitrose |
| 6. Harvey Nichols | 30. Manchester House |
| 7. Selfridges | 31. Costa Coffee |
| 8. Next | 32. Artisan |
| 9. Tm Maxx | 33. The Oast House |
| 10. Debenhams | 34. Crown Court |
| 11. Primark | 35. Fazenda |
| 12. Vivienne Westwood | 36. The Alchemist |
| 13. DKNY | 37. Bagel Nash |
| 14. Diesel | 38. Pret A Manger |
| 15. Thomas Pink | 39. Pure Gym |
| 16. Tm Lewin | 40. Thaikhun |
| 17. Charles Tyrwhitt | 41. WAHU |
| 18. Boodles | 42. Australasia |
| 19. Jack Wills | 43. Itsu |
| 20. Gap | 44. Wagamama |
| 21. House Of Fraser | 45. Nudo |
| 22. Waterstones | 46. Carluccio's |
| 23. Tag Heuer | 47. Nando's |
| 24. Moss Bros | 48. Handmade Burger Co |

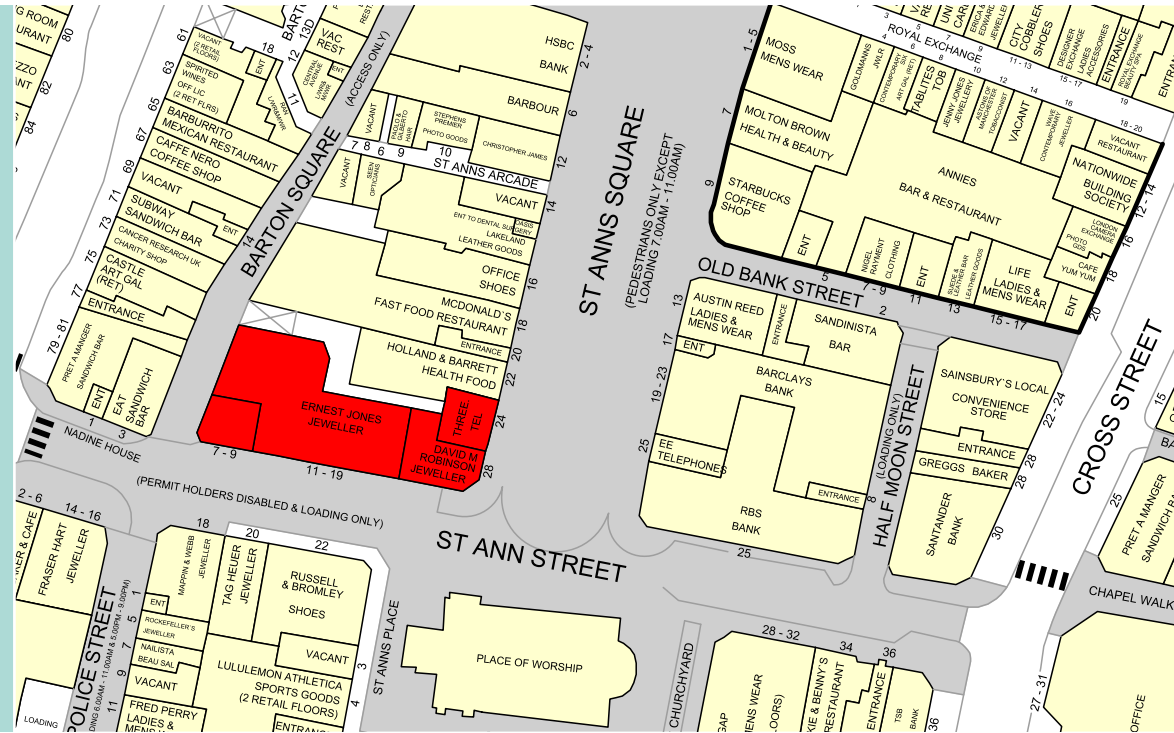


BACK TO COMMUNICATION

SITUATION

The property is situated in a prime position on a prominent corner site with extensive frontage to St Ann Street and St Ann's Square, both of which are in Manchester's vibrant core shopping area with all of the city's flagship department stores in close proximity.

St Ann Street and St Ann's Square have re-established themselves as home to some of Manchester's luxury jewellery stores such as Ernest Jones, David M Robinson, Fraser Hart, Hancocks, TAG Heuer and Mappin & Webb. The attractive pedestrianised squares and walkways in this area, combined with its central position linking Deansgate and Market Street, ensures St Ann Street and Square enjoy significant footfall and have a continuing appeal for retailers, shoppers and office occupiers.





LOWRY HOTEL

HOUSE OF FRASER

SPINNINGFIELDS

EQUITABLE BUILDING

DEANSGATE

ST. ANN'S SQ.

ST. ANN ST.

KING STREET

ROYAL EXCHANGE

HARVEY NICHOLS

NEW CATHEDRAL ST

M&S

SELFRIDGES

ARNDALE CENTRE

CROSS STREET

MARKET STREET



RETAILING IN MANCHESTER

Manchester is the strongest retailing centre in the North of England and ranks 3rd in the top 200 Promis retailing centres in terms of retail provision, providing approximately 2.7 million sq ft of city centre retail floor space.

Major anchor retail stores represented in Manchester include House of Fraser, Selfridges, Harvey Nichols, Marks & Spencers and Debenhams, together with a strong high quality fashion offer including Armani, Hugo Boss, Vivienne Westwood, Jack Wills, Barbour and Louis Vuitton. As a result, Manchester attracts a strong annual retail spend of approximately £3.9billion per annum.

Mass market retailing in Manchester is focused around The Arndale Centre and Market Street. The Arndale Centre extends to over 1.4 million sq ft and is home to over 200 individual shops and restaurants including the Apple store, Topshop, Aldi, Vodafone, Office and Next.



DESCRIPTION

The property comprises an attractive landmark building, of concrete frame construction with block in-fill and attractive façade under a flat roof.

The building is arranged over two basement levels, ground and three upper floors.

The ground floor offers 520 sq m (5,600 sq ft) of retail accommodation, comprising 3 retail units which have been combined to provide one larger unit with frontage to St Ann Street (Ernest Jones), together with two units which have been combined to form a corner retail unit with return frontage to St Ann Street and St Ann's Square (David M Robinson), and finally a retail unit fronting St Ann's Square (Three mobile).

The three upper floors historically provided office accommodation, until Habitat converted the upper floors to retail use in 1995. The upper floors are now vacant, with the 1st floor stripped back to a shell finish and the top two floors still comprising Habitats fit out. The upper floors offer great potential for a variety of uses including office, residential or hotel, with an entrance to be provided through the vacant corner retail unit at the junction of St Ann Street and Barton Square.

The basement provides an additional 551 sq m (5,500 sq ft) accommodation, of which 321 sq m (3,458 sq ft) is let to the existing retailers and 190 sq m (2,042 sq ft) is vacant.

To the rear of the building, is a gated courtyard, providing loading/escape access for the building.

TENANCY

The property is let to three tenants on FR&I terms, with the upper floors remaining vacant.

Over 50% of the current income is secured against Signet Trading Ltd, who trade as Ernest Jones jewellers, for 10 years, and represent a 5A1 D&B rating. The property currently produces £722,500 per annum, with potential to substantially increase this by letting the upper floors.

Address	Tenant	Description	Area Sq M	Area Sq Ft	Term	Start Date	End Date (Break)	Next Review	Rent (ITZA/psf)	Comments
24 St Ann's Square	3 UK Retail Ltd	GF Sales	54.8	590	15 years	27.09.07	26.09.22 (27.09.17)	27.09.17	£157,500 pa (£237.41 ZA)	Break has been exercised. Lease is guaranteed by Superdrug Stores Plc. Rent devaluation reflects A/12 on basement sales and £7.50 psf on the store area.
		ITZA	51.81	558						
		Bmt Sales	95.7	1,030						
		Bmt Store	46.78	504						
28 St Ann's Square	David M Robinson Ltd	GF Sales	42.5	457	15 years	09.09.02	08.09.17		£109,000 pa (£227.96 ZA)	Tenant has served a section 26 notice requesting a new tenancy. Rent devaluation reflects A/12 on basement sales and £7.50 psf on the store area.
		ITZA	40.26	433						
		Bmt Sales	39.95	430						
		Bmt Store	26.29	283						
21 St Ann Street	David M Robinson Ltd	GF Sales	50.58	544	15 years	09.09.02	08.09.17		£91,000 pa (£185.21 ZA)	Tenant has served a section 26 notice requesting a new tenancy. Rent devaluation reflects A/12 on basement sales and £7.50 psf on the store area.
		ITZA	41.7	449						
		GF Store	10.43	112						
		Bmt Sales	22.76	245						
		Bmt Store	39.85	429						
11-19 St Ann Street	Signet Trading Ltd	GF Sales	332.58	3,580	10 years	TBC	January 2017	January 2022	£365,000 pa (£135.23 ZA)	Agreement for lease in place to surrender the existing lease and take a new 10 year lease on the extended unit (see image opposite). Rent devaluation reflects £7.50 psf on the store areas.
		ITZA	245.53	2,643						
		GF Store	29.45	317						
		Bmt Sales	49.89	537						
Sub Total			842	9,058						
First Floor	Vacant	Unrefurbished	642.88	6,920					£0	Quoted areas represent gross internal areas. For prospective net internal areas refer to the asset management section.
Second Floor	Vacant	Unrefurbished	550.02	5,920					£0	
Third Floor	Vacant	Unrefurbished	614.82	6,618					£0	
Sub Total			1807.72	19,458						
Total									£722,500	



Click to enlarge image.

COVENANT

3UK Retail Ltd
(Company no. 06014452)

Guaranteed by Superdrug Stores Plc
(Company no. 008070403)

Three mobile is part of the CK Hutchison Holdings Ltd group of companies which has mobile operations in 11 countries. Three employs more than 4,400 people across its offices in Maidenhead, Glasgow and Reading and its 324 retail stores.

The lease is guaranteed by **Superdrug Stores Plc**, who have a Dun & Bradstreet rating of **5A1**. This represents a minimum risk of business failure based on the following accounts:

Superdrug Stores Plc	Fiscal Non-consolidated GBP 26 Dec 2015 (000's)	Fiscal Non-consolidated GBP 27 Dec 2014 (000's)	Fiscal Non-consolidated GBP 28 Dec 2013 (000's)
Sales Turnover	£1,105,002	£1,058,047	£1,010,212
Profit / (Loss) Before Taxes	£56,842	£38,044	£28,982
Tangible Net Worth	£50,149	£138,513	£122,235
Net Current Assets (Liabilities)	£135,485	£74,581	£55,060



ERNEST JONES
THE DIAMOND AND WATCH SPECIALIST



David M Robinson Ltd (Company no. 00958819)

David M Robinson is one of the UK's leading jewellers with 6 stores across the UK, and winner of the prestigious de Beers Diamonds International Award on two separate occasions. The David M Robinson store at the unit in St Ann's Square is a Rolex accredited watchmaker, and the store is undergoing extensive refurbishment of their Rolex accredited workshop and goldsmith workshop.

David M Robinson have a Dun & Bradstreet rating of **2A1**, which represents a minimum risk of business failure, based on the following accounts:

David M Robinson Ltd	Fiscal Non-consolidated GBP 31 Mar 2015	Fiscal Non-consolidated GBP 31 Mar 2014	Fiscal Non-consolidated GBP 31 Mar 2013
Sales Turnover	£20,023,714	£17,526,968	£17,384,445
Profit / (Loss) Before Taxes	£803,472	£174,789	£522,394
Tangible Net Worth	£6,548,764	£6,110,616	£6,129,968
Net Current Assets (Liabilities)	£5,048,133	£4,908,241	£3,930,226

Signet Trading Ltd (Company no. 03768979)

Signet Trading Ltd are a subsidiary of Signet Jewellers Ltd, who are the world's largest retailer of diamond jewellery. Signet operate approximately 3,600 stores worldwide, primarily under the name brands of Ernest Jones (trading in the subject property), Kay Jewellers, Zales, Jared the Galleria of Jewellery, H. Samuel, Peoples and Piercing Pagoda.

Signet Trading Ltd have a Dun & Bradstreet rating of **5A1** which represents a minimum risk of business failure, based on the following accounts:

Signet Trading Ltd	Fiscal Non-consolidated GBP 30 Jan 2016 (000's)	Fiscal Non-consolidated GBP 31 Jan 2015 (000's)	Fiscal Non-consolidated GBP 01 Feb 2014 (000's)
Sales Turnover	£485,350	£458,132	£433,435
Profit / (Loss) Before Taxes	£34,910	£27,477	£19,694
Tangible Net Worth	£289,797	£263,834	£239,348
Net Current Assets (Liabilities)	£208,475	£203,033	£180,992

ASSET MANAGEMENT OPPORTUNITIES

There is planning permission for retail use on the upper floors of 7-19 St Ann Street, which was granted on 26 October 1995 (planning ref no. 048325/FO/CITY1/95), before which time it was used as office accommodation.

There are a number of asset management opportunities to enhance value. We have highlighted some of the key opportunities below:

Ground Floor Retail

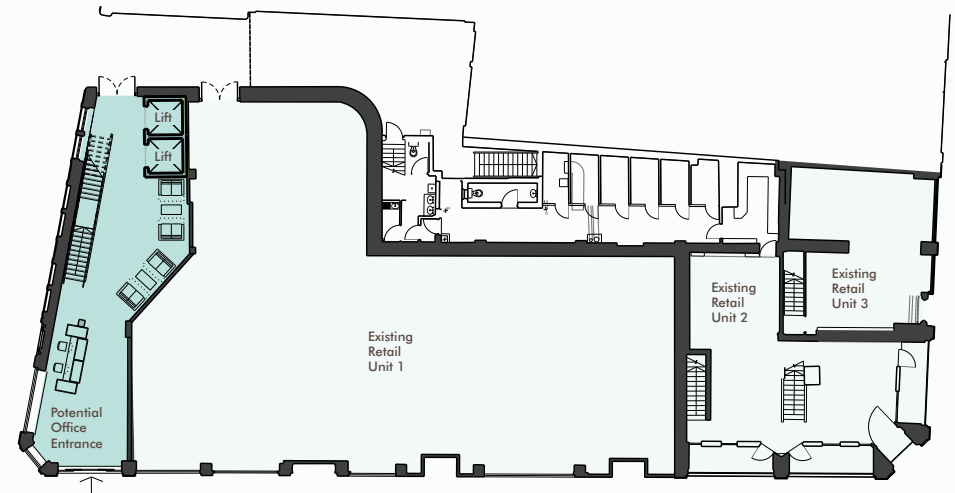
1. Re-let the 3 Mobile unit fronting onto St Ann's Square to one of the existing occupiers or a new retailer at lease expiry in September 2017.
2. Negotiate a new lease with David M Robinson with effect from their lease expiry in September 2017.
3. Take back possession of the David M Robinson unit at lease expiry, on the grounds of redevelopment, by reconfiguring the unit and combine it with the 3 Mobile unit which will also become vacant in September 2017. This will create a larger and very prominent unit fronting onto St Ann's Square, with potential for Ernest Jones to further expand into this unit.
4. Consider creating an alternative entrance to the upper floors from the 3 Mobile unit, thus allowing Ernest Jones to expand into the remaining accommodation along St Ann Street.

Upper floors

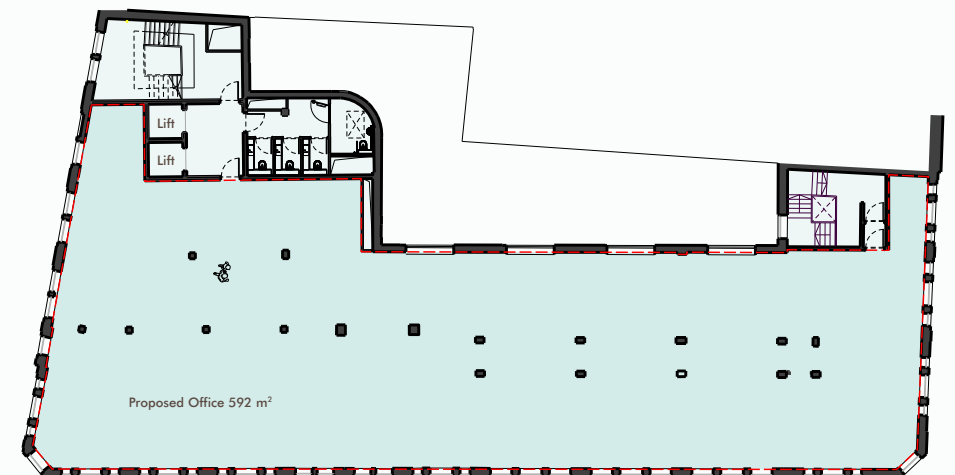
1. Potential to create an estimated Net Internal Area on upper floors of 1,491 sq m (16,049 sq ft).
2. Infill the lightwell at second and third floors to accommodate WC's and increase the potential net internal floor area to 1,732.95 sq m (18,653 sq ft).
3. Relet the upper floors for retail use.
4. Refurbish and convert to alternative uses such as office, residential, hotel or medical use, subject to approvals.

[CLICK FOR
RESIDENTIAL FLOOR PLANS](#)

COMMERCIAL FLOOR PLANS



GROUND FLOOR COMMERCIAL



TYPICAL UPPER FLOOR COMMERCIAL

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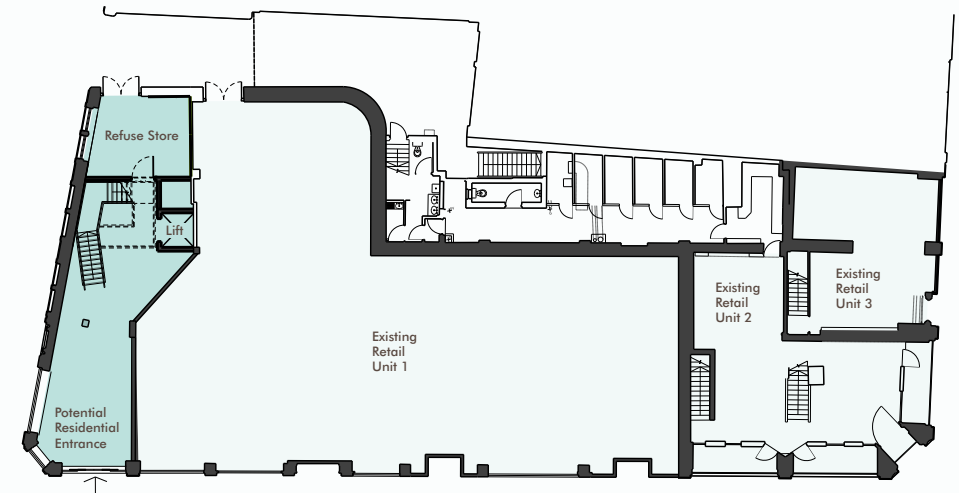
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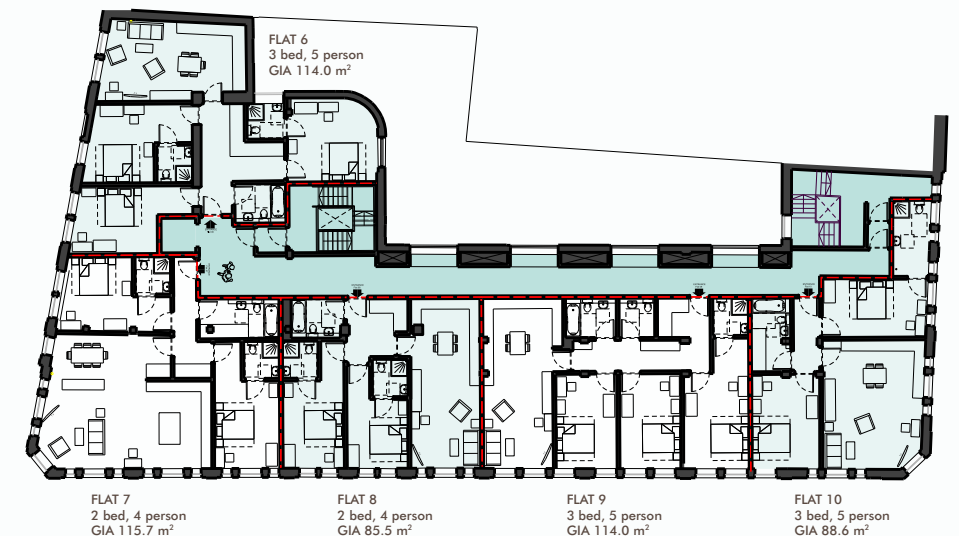
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RESIDENTIAL FLOOR PLANS

[CLICK FOR COMMERCIAL FLOOR PLANS](#)



GROUND FLOOR RESIDENTIAL



TYPICAL UPPER FLOOR RESIDENTIAL

MARKET COMMENTARY

Alternative Uses

There is potential to convert the 1,808 sq m (19,458 sq ft) gross internal floor area on the upper floors to office, residential or hotel use, all of which would be extremely well-suited to the property's central location.

Office Market

Manchester has had the best performing regional rental market for offices since 1989. Manchester is currently experiencing significant growth in prime rents. Owing to the limited supply and high demand of Grade A office space in the city, forecasts show that prime rents in Manchester are set to continue to grow at a considerable rate, with prime-office rents expected to increase to £36.50 psf by 2019 – an increase of 14%. Rents for refurbished office in the city centre range from between £20.00 per sq ft - £27.50 per sq ft.

Residential Market Commentary

The population of Manchester city centre has trebled in recent years to reach just under 25,000. The private rented sector has also increased significantly and now represents around 20% of housing. Increasing population and a change in demographic trends, suggest that future demand for city centre flats is likely to be considerable. This strong tenant demand, combined with attractive yields, makes

Manchester a popular location for residential investors.

The Local Plan in Manchester has established that the city centre will be the focus of housing development in Manchester and it is expected that a minimum of 16,500 new homes will be delivered between 2010 and 2027 (917 homes p.a.)

Sales values for high specification new-build apartments in the city centre achieve £450 per sq ft.

Hotel Market Commentary

Manchester is regarded as the 3rd strongest hotel market in the UK behind London and Edinburgh, where the growth in the number of rooms sold has consistently outpaced the number of rooms available, demonstrating a supply vs demand imbalance.

The appetite to obtain a market position in Manchester has not diminished, with a number of operators still seeking to acquire sites. Motel One at Piccadilly station opened in 2014 and they are due to open another 300 bedroom hotel in 2017. 2015 saw the introduction of Melia Hotels at INNSIDE Manchester, and Hotel Gotham by Bespoke Hotels, whilst Premier Inn, Travelodge and Holiday Inn have all seized the opportunity to add further sites to the city.

Retail Market



Investment Commentary

The latest investment evidence for prime retail property in close proximity to the subject property is as follows:

Property	Tenant	AWULT	Price	Yield (NIY)	Purchaser	Date
38 - 46 King Street	T.M Lewin, Lawes & Curtis and Bravissimo	6.5 years (5 to break)	£5,085,000	5.66%	DTZi	June 2016
86 - 88 Market Street	Barclays Bank	6 years	£10,450,000	4.48%	Private overseas	August 2016
42 - 46 Market Street	Lloyds Bank	8 years	£12,241,645	4.14%	Private overseas	January 2016
41 - 43 Market Street	Urban Outfitters	8.5 years	Quoting £16,000,000	Quoting 4.5%		Available

TERMS

SERVICE CHARGE

The tenants each contribute towards a service charge for the repair and maintenance of the building. The current service charge budget for the year ending 31 December 2016 is £19,260, which equates to £2.11 psf. The lease to Signet Trading Ltd incorporates a service charge cap at £3.08 psf, subject to annual RPI uplifts.

VAT

We understand the properties are elected for VAT purposes, and therefore would anticipate the sale to be treated as a Transfer of Going Concern.

EPC

The buildings have an EPC rating of **D87**. Further information available upon request.

PROPOSAL

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CONTACT

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