

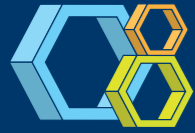
HONEYCOMB

The Watermark, Gateshead, Tyne and Wear NE11 9SZ

High Yielding Multi-let Office
Investment Opportunity

New 10 year lease at
ground floor to





HONEYCOMB GATESHEAD

Investment Summary

- The property provides a modern well-specified, three-storey office building extending to 29,736 sq ft, together with 119 parking spaces and a detached 1,996 sq ft storage block.
- Excellent parking ratio of 1:250 sq ft on the office NIA.
- Located on The Watermark Business Park, Gateshead's premier out of town office location.
- Freehold.
- The property is fully let to four tenants including ITV Broadcasting Ltd who have just renewed on a 10 year lease from January 2025 across 38% of the total floor area.
- 80% of the income is secured by covenants with an Experian rating of 100/100 (Very Low Risk).
- Contracted income of £411,388 per annum.
- Low average office rent of £13.15 per sq ft (exclusive of parking and garage) which shows a 60% discount to prime offices rents in the region.
- WAULT of 6.3 years to expiries and 5.3 years to breaks.

Proposal

We are instructed to seek offers in excess of **£3,220,000 (Three Million Two Hundred and Twenty Thousand Pounds)** subject to contract and exclusive of VAT.

A purchase at this level reflects a **Net Initial Yield of 12.0%** allowing for standard purchaser's costs and a **low capital value of £101 psf.**



Situation

The property is situated on a self-contained riverside campus in a prominent position within The Watermark, one of the principle business locations in the Tyne conurbation.

The Watermark scheme comprises approximately 220,000 sq ft of modern office buildings, which were developed in the mid 2000s and is home to a number of major companies including Synergi, Handelsbanken, NEC, Riverside Group, Teleperformance and Barratt Homes.

The Watermark is also situated close to the Metrocentre, the second largest shopping

centre in the UK. The centre features over 300 shops, 68 restaurants, an extensive neighbouring retail warehouse offering and Odeon IMAX Cinema.

Within The Watermark development there is a range of amenities for its workers including Café Meo's, truGym and Made Barbers.

The property is located 0.5 miles north of Junction 71 of the A1 and 0.5 miles north west of the Metrocentre Railway Station and Bus Interchange, providing excellent transport links.

Metrocentre Bus & Rail Interchange

Metrocentre Shopping Centre

Metrocentre JCN
A1 Western Bypass

Metro Retail Park





Description

Honeycomb is a prominent modern purpose built office extending to 29,736 sq ft. The property was constructed in 2004 and provides well specified office accommodation over ground, first and second floors. The building offers excellent configuration with 'L' shaped floor plates arranged around a central service core providing flexibility for division. The first floor has been subdivided to provide smaller office suites extending between 870 sq ft to 4,690 sq ft.

Externally the property provides a total of 119 car parking spaces, equating to an excellent parking ratio of 1:250 sq ft on the office NIA. There is also a detached storage building/garage which is let and occupied by ITV who use it as archive storage.

The building has been very well-maintained by the current owner. Recent works include the installation of four new chillers, a recently installed BMS system and various external maintenance works to the roof and windows. ITV have invested significantly in the building with the recent installation of a secondary fibre connection point for their broadcasting requirements.

Specification

- Full height glazed atrium
- New LED Lighting
- Air conditioning
- Raised Floors
- Male, female and disabled WC and shower facilities on each floor
- Flexible configuration
- 2 x 8 person (630 kg) passenger lifts
- Cycle storage
- 24/7 access



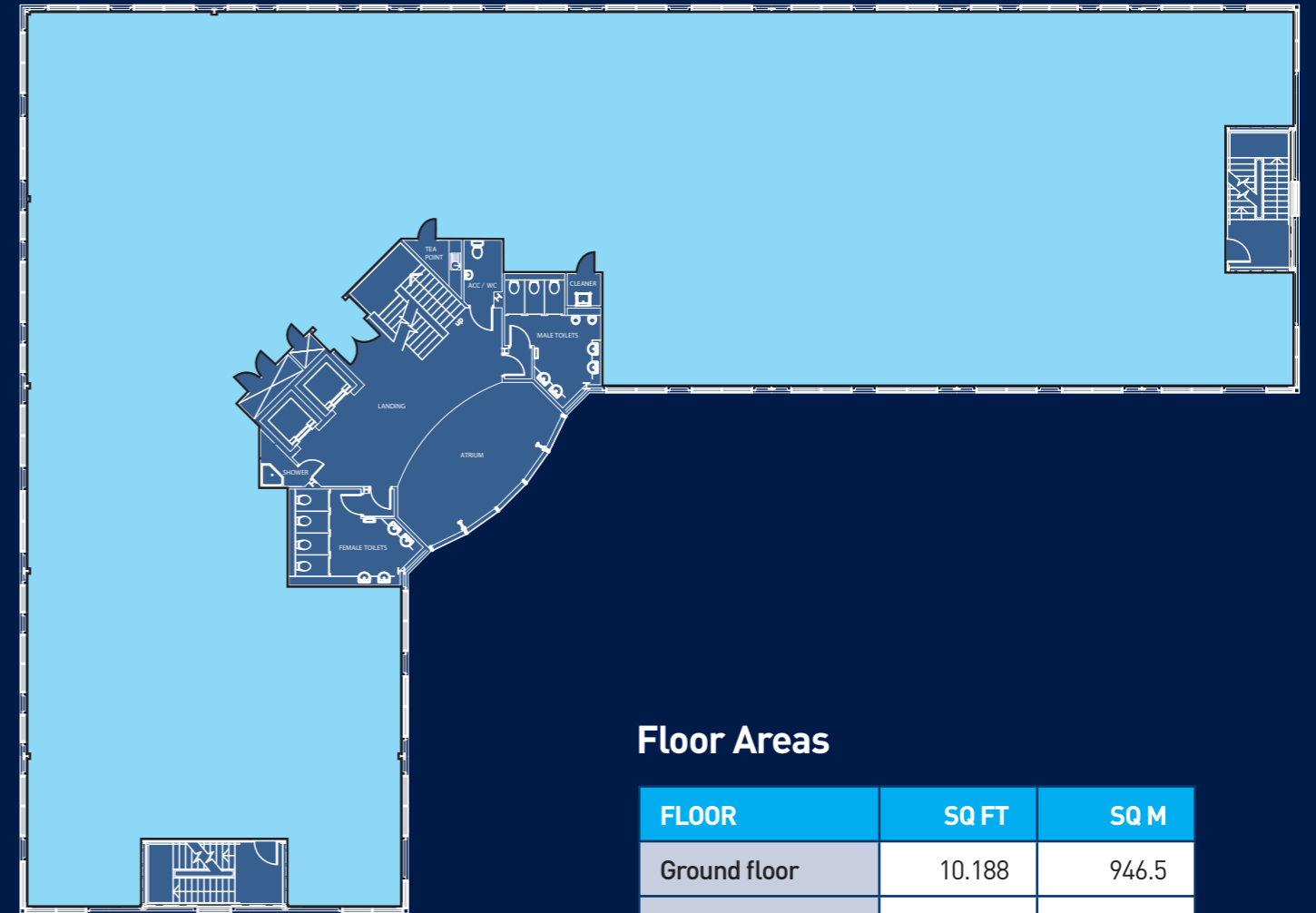
Accommodation

The property extends to a total of 31,732 sq ft (2,948.0 sq m) comprising 29,736 sq ft NIA (2,762.56 sq m) of high specification office accommodation over ground and two upper floors and a single storey garage block that extends to 1,996 sq ft GIA (185.4 sq m).

The property benefits from extensive onsite parking provisions with 119 car parking spaces (1:250 sq ft on the office NIA).



Typical Floor Plan



Floor Areas

FLOOR	SQ FT	SQ M
Ground floor	10,188	946.5
First floor	9,360	869.6
Second Floor	10,188	946.5
Office - Subtotal	29,736	2,762.6
Garages	1,996	185.4
TOTAL	31,732	2,948





Tenure

Freehold.

The title includes the riverbank and public footpath to the rear of the property and the neighbouring Tyne River House. The footpath is adopted and maintained by the local council under the Highways Act.

Tenancy

The property is fully let to four tenants producing a contracted income of £411,388 per annum. This reflects a low average office rent of £13.15 per sq ft (exclusive of parking and storage).

The property has a WAULT of 6.3 years to expiries and 5.3 years to breaks.

37% of the total income is secured against ITV Broadcasting Ltd on a new 10 year lease from 01 February 2025.

Demise	Tenant	Area (sq ft)	Area (sq m)	CPS	Rent £pa	Rent £psf	Lease Start	Rent review	Lease Expiry	Lease Break	Comments	
Ground Floor	ITV Broadcasting Limited	10,188	946.50	34	£130,000	£12.76	6/30/15	2/1/30	1/31/35		Tenant has been in occupation since construction. New 10 year unbroken lease agreed subject to 38 months at half rent from 01 February 2025 to 31 March 2028	
First Floor (Suite 1)	Zettascale Technology Limited	4,690	435.72	15	£60,970	£13.00	6/17/22	6/17/27	6/16/32	6/17/27	Passing rent £58,625 pa (£12.50 psf). Stepped rent in year 4 to £60,970 pa (£13.00 psf) - vendor to top up. Further stepped rent in year 6 to £66,832.50 pa (£14.25 psf). Additional 3 months rent free if break not exercised. Service charge cap at £8.19 psf £40,000 rent deposit Schedule of Condition Contracted out of the 1954 Act. Tenant is looking to sublet or assign.	
First Floor (Suite 2)	Mediaworks UK Ltd	1,800	167.23	6	£25,200	£14.00	12/1/22		8/31/28	2/28/26	TBO - 6 months notice Outside the 54 Act	
First Floor (Suite 3)	Mediaworks UK Ltd	870	80.83	2	£12,180	£14.00	12/1/22		8/31/28	2/28/26	TBO - 6 months notice Outside the 54 Act	
First Floor (Suite 4)	Retirement Bridge Group Limited	2,000	185.81	10	£25,000	£12.50	10/29/21		28/10/2027	29/10/2026	Mutual rolling break option at the end of the fifth year (3 months notice) Outside the 1954 Act	
Second Floor	Mediaworks UK Limited	10,188	946.50	40	£137,538	£13.50	9/1/18		8/31/28		Tenant benefitting from half rent incentive from 25 December 2024 to 23 June 2025 in lieu of removing 2026 TBO. Service charge cap at £6.88 psf Contracted out of the 1954 Act	
Garage	ITV Broadcasting Limited	1,996	178	-	£15,000	£7.83	6/30/15		1/31/35			
Car Parking	ITV Broadcasting Limited			11	£5,500	£5.00	6/30/15		1/31/35			
Car Parking	N/A			1							1 spare space	
Total		31,732	2,940.57	119	£411,388	£13.15				6.3	5.3	

Covenant



ITV Broadcasting Limited

CRN 00955957 – 37% of income

ITV Broadcasting Limited is the principal operating subsidiary of ITV PLC's UK television business. ITV is the UK's largest commercial TV channel, selling commercial airtime and sponsorship and operating a full range of broadcaster functions for itself.

From the ground floor of Honeycomb, ITV operate their Tyne Tees regional programming and studios covering the North-East of England and parts of North Yorkshire. This includes news, current affairs and local interest programmes. It also acts as a base for ITV Signpost, Britain's largest supplier of British Sign Language services for television, video, CD, DVD, film and the internet.

ITV Broadcasting Limited has an Experian rating of 100/100 (Very Low Risk). A summary of their last three years of accounts is shown below:

	31 Dec 2021	31 Dec 2022	31 Dec 2023
Turnover	£1,381,200,000	£1,351,082,000	£1,164,138,000
Pre-tax Profit	£141,287,000	£521,955,000	£34,256,000
Shareholder's Funds	£566,336,000	£402,246,000	£361,704,000



Mediaworks UK Limited

CRN 06309397 – 43% of income

Mediaworks was established in the North East in 2007 and has been headquartered in Newcastle for the past 10 years. They are now recognised as one of the leading independent UK agencies in their field, with offices in Newcastle, London, Manchester, Leeds, Edinburgh and Dublin and clients ranging from SME's to multinationals. From their headquarters at Honeycomb, Mediaworks team of 80+ offer a range of services including Search Engine Optimisation, Conversion Rate Optimisation, Web Development, and Content Marketing.

Mediaworks UK Limited has an Experian rating of 100/100 (Very Low Risk). A summary of their last three years of accounts is shown below:

	31 Mar 2022	31 Mar 2023	31 Mar 2024
Turnover	£7,787,446	£7,716,849	-
Pre-tax Profit	£1,526,251	£289,661	-
Shareholder's Funds	£2,766,030	£2,743,626	£2,358,917



Zettascale Technology Limited

CRN 02664365 – 15% of income

Zettascale is a wholly owned subsidiary of ADLINK Technology INC, a Taiwanese technology company which is listed on that Taiwan Stock Exchange and last year reported a turnover of more than £240m. They specialise in communication technology for autonomous vehicles and robots, including cloud computing and data security. In May 2022 ZettaScale Technologies announced that they had raised a strategic investment from TTTech Auto.

Zettascale Technology Limited has an Experian rating of 74/100 (Below Average Risk). A summary of their last three years of accounts is shown below:

	31 Mar 2022	31 Mar 2023	31 Mar 2024
Turnover	-	-	-
Pre-tax Profit	-	-	-
Shareholder's Funds	(£7,736,899)	£12,094,594	£9,199,474



Retirement Bridge Group Limited

CRN 09892716 – 6% of income

The Retirement Bridge Group is the biggest administrator of home reversion plans, currently managing in the region of 2,000 plans. The group is headquartered at Honeycomb House.

Retirement Bridge Group Limited has an Experian rating of 71/100 (Below Average Risk). A summary of their last three years of accounts is shown below:

	30 Sep 2022	30 Sep 2023	30 Sep 2024
Turnover	£2,280,629	£2,300,731	£2,144,990
Pre-tax Profit	£110,575	£89,448	£34,853
Shareholder's Funds	(£216,371)	(£148,098)	(£123,887)

Office market commentary

Take-up

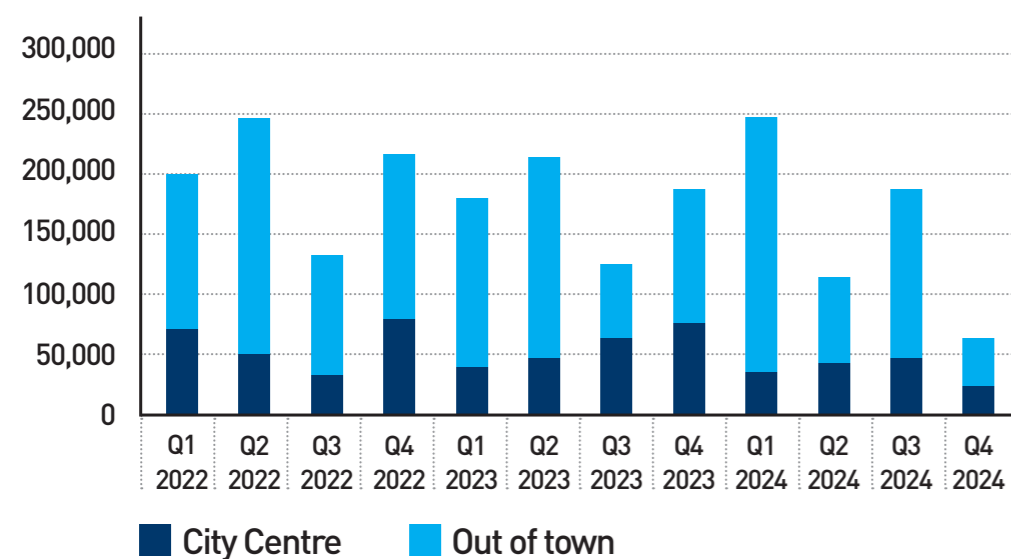
Take up has been fairly consistent over the past few years with office letting activity in the North East being typically dominated by the out-of-town market which has traditionally accounted for approximately 75% of take-up.

The appeal of low occupational costs, accessibility, a skilled workforce, and high-quality working environment continues to be a huge draw for occupiers. With many occupiers assessing their working model, they are often taking less space but of better quality and this 'flight to quality' movement has become more prevalent in the market.

In 2024, total take up reached 605,352 sq. ft across 120 transactions. Of these, 99 were out of town offices totalling 460,934 sq. ft, giving an average deal size of 4,656 sq ft.

The Watermark is recognised as one of the area's key business parks, which provides much needed Grade A accommodation in a highly prominent and accessible location. The park is home to occupiers including Synergi, Handelsbanken, NEC and Barratt Homes.

North East Office Take-up



Rents

The North East office market occupational market has remained resilient in recent years with prime rents currently at £32.00 psf reflecting a 18.5% increase over the past 4 years.

Address	Date	Area sq ft	Rent psf	Comments
Ground Floor Weymouth House Newcastle upon Tyne NE4 7YJ	Available	6,867	£16.50	Available to let with a quoting price of £16.50 psf
First Floor 14 Bankside The Watermark Gateshead NE11 9SY	Available	1,027	£16.07	Available to let with a quoting price of £16.07 psf
First Floor 8 Cobalt Park Newcastle upon Tyne NE27 0QJ	May 24	6,000	£18.00	Let to ABCA Systems on a new 10-year lease
First Floor 5 Quorum Business Park Newcastle upon Tyne NE12 8EZ	Apr-24	5,861	£14.00	Let to Warner Brothers Discovery on a new 10 year lease. TBO in Year 5
6 The Staithes The Watermark Gateshead NE11 9SN	Oct-23	3,976	£13.50	Located on the subject estate
Ground Floor, Victoria House, Newcastle upon Tyne NE4 7YJ	Jun-23	14,746	£16.00	Let to Ministry of justice on a 15-year lease



Service charge

The current service charge budget for the building is £177,393 reflecting £5.95 per sq ft on the office floor area. There is an additional heating cooling and utilities charge apportioned between tenants, currently operating at £1.58 psf.

Further information available on request.

EPC

The property has been assessed as a whole with an EPC rating of C. A copy of the certificate is available within the data room.

Data room

Available on request.

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GATESHEAD**

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