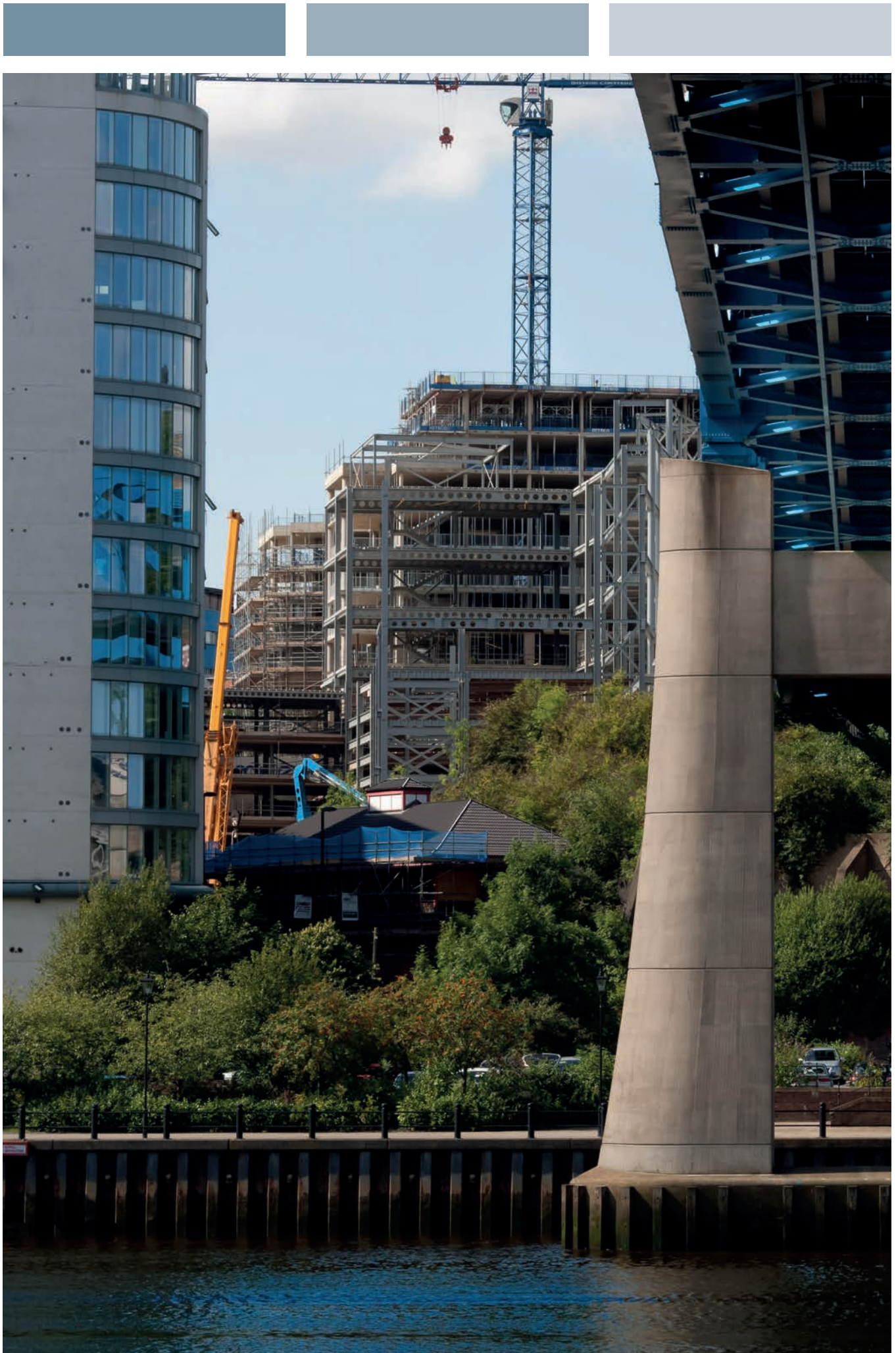


Real Estate Review  
2014









# Market commentary

**The general consensus is that 2014 was a year of consolidation in the market but, we're pleased to say, with definite renewed confidence and market activity.**

From our Real Estate Team's perspective, we have seen a good level of business space take-up, and have been acting on lettings for landlords and corporate tenants alike. There also seems to have been a good level of investment market activity and we have continued to deal with a number of sales and acquisitions for property companies both regionally and nationally, taking advantage of improved yields/values. We have also been at the heart of some of the key schemes in the region, including the development of the Stephenson Quarter, a key project in the City, as well as a city-centre student development scheme that has been taken forward by McAleer & Rushe, together with major employment sites at the airport and on Team Valley that have been promoted by UK Land.

Interestingly, residential development activity is high and in fact we have seen record levels of instructions for national operators such as Barratt and Persimmon, along with a number of players in the social housing sector. Meanwhile, we have been involved in two or three significant corporate portfolio transactions involving real estate, which we have undertaken in conjunction with our Corporate Team.

It is worth noting, however, that there remains a degree of concern surrounding the availability of new product coming to the market, both for occupiers and as investment product, and a funding gap still exists between land cost, development costs and value to make wholly speculative development possible.

Looking to the future, it is, of course, hoped that 2015 will see similar levels of activity, but with more new development projects being taken forward. To reflect this we have added strength in depth to our team to ensure that we can continue to provide excellent service to our clients. And we will continue to work hard to add value to our client relationships and market contacts by hosting appropriate thought leadership events with key players such as Newcastle City Council, Bank of England and the CBI. Clearly the regional devolution agenda will be a key opportunity for the economic success of the region.

**We would like to take this opportunity to thank all our clients for their continued support.**

## In this issue



# Landmark developments

Over the course of the past year we were delighted to have concluded a number of lettings within the region on behalf of UK Land Estates.

The size of the lettings were significant and many involved welcoming businesses who had out-grown their previous premises - which is, of course, a welcome indication of the general upturn in the sector.

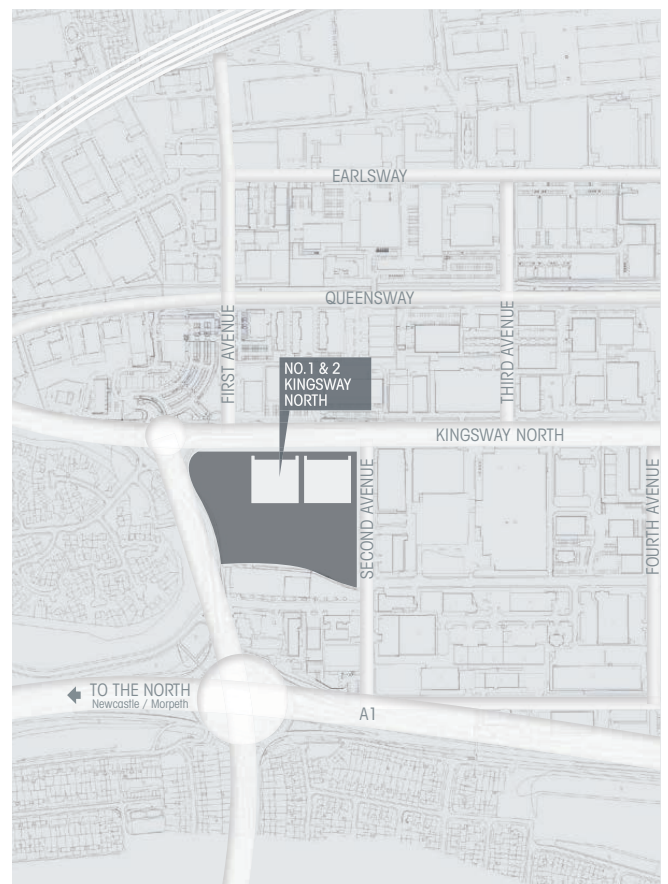
We are already underway with preparation work for projects that will make an impact during 2015, including key employment schemes at Newcastle International Airport and Team Valley - the latter seeing investment activity continue, with strategic sales of some

product, including the sale of retail trade parks to a national investor to take advantage of the improved yields/values.

**UK**  
UK LAND ESTATES









# South coast ventures

**In the late summer of 2014 we were very pleased to assist McAleer & Rushe in entering into joint venture arrangements with Knightsbridge Student Housing involving the delivery of 1,600 student beds, over two sites in Bournemouth and Portsmouth with an end value in excess of £100m.**



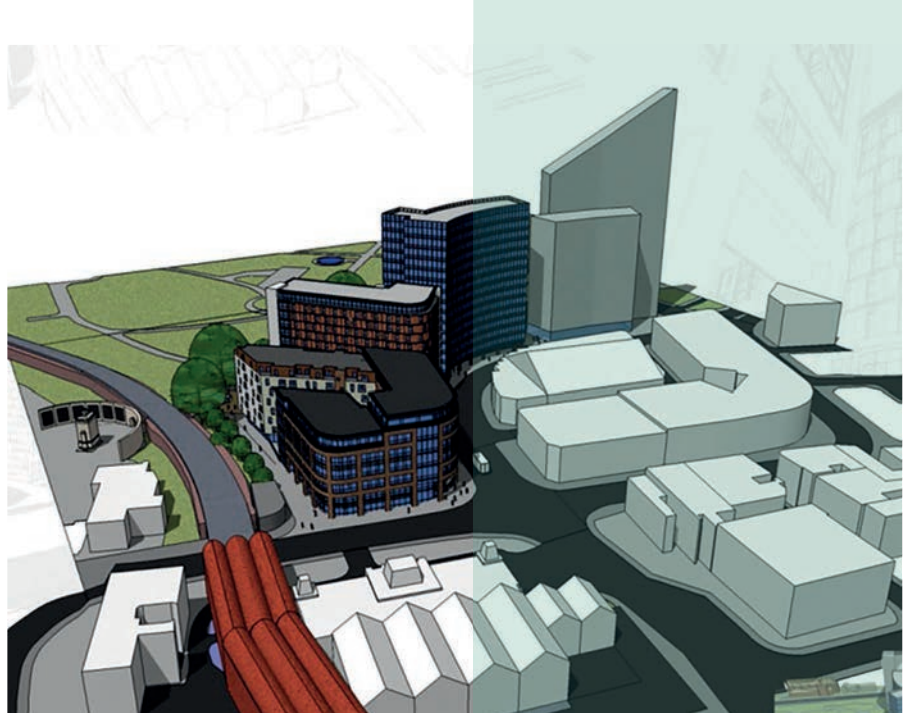
The contracts to design and build the student accommodation comprising 1,000 beds in Portsmouth and 600 beds in Bournemouth are subject to planning. Knightsbridge Student Housing is a rapidly expanding business which already has 6,500 beds currently operational and almost 10,000 beds at various stages of planning, design and construction.

The first phase of the Portsmouth scheme, on Stanhope Road, will see the former landmark Zurich House office building, converted to provide 400 student beds with a purpose built second block housing a further 600 students. To achieve a holistic redevelopment of the entire site, plans for approximately two-thirds of the remaining site will explore a mix of development options including hotel, residential and commercial. It is also proposed to create an attractive landscape boulevard to provide access to the adjacent Victoria Park.

Student housing will make up around half of the site at St. Paul's Lane, Bournemouth with the remainder of the site being allocated to office, and possibly a new hotel. Planning submissions are targeted for early 2015 and should see construction work begin in summer 2015. Delivery of the first phase is expected in the third quarter of 2016, with the second phase completing in the third quarter of 2017.

McAleer & Rushe project development director, Graham Mitchell, commented "McAleer & Rushe has ambitious targets for student housing construction. We are delighted to be working with Knightsbridge and look forward to working with them on other projects. This deal unlocks the regeneration of important sites in Bournemouth and Portsmouth and is an important vote of confidence in the recovery of both cities."

We are delighted to have been working with the McAleer & Rushe group for almost 14 years and continue to provide advice to them in relation to their ongoing projects across the UK.



# Moving on

**It has been another busy year for our corporate owner and occupier clients across most sectors, particularly in manufacturing and pharmaceuticals.**

During 2014 we saw an encouraging trend whereby our clients have been taking longer leases with terms of at least 10 years. This is a marked change from the last few years when, because of market uncertainty, occupiers wanted the flexibility of shorter lease terms. It is also encouraging to have seen owners and occupiers investing heavily in major refurbishment and improvements to their real estate assets together with investment in major new plant and equipment. Market confidence is clearly enabling and encouraging many of our clients to develop strategies to expand their real estate portfolios

involving major relocations to larger, more modern facilities together with the acquisition of new leases and freeholds.

One such client is Northgate plc whose in-house surveyor, Joanne Riddell, comments "as our expansion in London grows and the pressure mounts for myself and the team to deliver the new sites, Muckle's advice and tenacity has been invaluable. Their commercial approach to the transactions is refreshing and I know for certain that I wouldn't be able to do my job if they weren't there to support me every step of the way."

We are also delighted that during 2014 we were able to help other corporate owner and occupier clients such as Arriva plc, Greggs plc, Port of Tyne, Port of Blyth and Newcastle Building Society, amongst others.

We are also very pleased to have assisted Kans and Kandy in their recent major relocation to premises in Washington which has enabled them to consolidate their operations into one large distribution centre. This was the largest single acquisition of industrial space (132,510 sq. ft.) which completed in the North East region in 2014.



Ian Marley, Peter Razaq and Jed Iqbal from Kans and Kandy



# Home renovation

2014 also saw a former gravel pit and landfill site in Dagenham start to be transformed into a new £78.4m scheme which will deliver hundreds of new homes on public land released by the Mayor of London, Boris Johnson. Building work at the Lymington Fields site is already under way to create the new housing development, which by 2019 will accommodate 418 new homes.

Undertaken in a partnership between developer, Lovell and Home Group, whom we are pleased to be advising across the project, the first phase of development on the 8.7 hectare brownfield site will create 83 homes for private sale by Lovell. There will also be 22 homes available for affordable rent and

20 properties will be shared-ownership, all of which will be available through Home Group. The second phase of the development, which will create 293 homes, is then set to start in 2015.

We're pleased to say that every one of the homes at Lymington Fields will meet Level 4 of the Code for Sustainable Homes, and will incorporate a range of energy-efficiency measures to reduce bills for residents.

home  
group





# Housebuilding

**One of the most active real estate sectors over the last few years has been housebuilding - which has, of course, been rather welcome news to many people, including ourselves here at Muckle.**

Indeed, recent figures released by the Housebuilders' Federation report that in the second quarter of 2014, planning permissions were granted for no less than 56,647 homes in England. This is the highest number for over six years and is clearly an indication of industry confidence in the housing market.

Speeding up the rate at which planning permissions are granted will be key to significant, sustainable increases in housing supply, and unfortunately too many potential sites still remain stuck in the planning system. The Housebuilders' Federation is certainly of the view that local authorities must ensure their planning departments are resourced so applications can be processed sufficiently and speedily, thereby enabling work to be started on new sites as soon as possible.

Stewart Baseley, Executive Chairman of the HBF, recently commented that "the increase in the overall number of new homes getting planning approval is very positive. Everyone is agreed that

we need to dramatically increase housebuilding to address our housing crisis and so getting more planning permissions is imperative."

As we all know, the housebuilding industry plays an important and vital role in our country's economic development as it provides a large number of employment opportunities, including thousands of jobs for apprentices and graduates. In addition, the industry is committed to working with the government to provide the best-designed and most energy-efficient homes in the world. So we are pleased to be currently assisting our numerous housebuilding clients, such as Persimmon, Barratt and Keepmoat to name but a few, in their site-acquisition and development programmes.

A recent high-profile example of this being a housing transaction in which the Muckle team acted for Barratt in its purchase of the former La Sagesse School site in Jesmond, which is currently being transformed into executive housing.





# Home loans



For a number of years now Home Group, which is one of the UK's largest affordable housing providers, has instructed Muckle to assist its legal team in key areas such as property development, corporate and commercial work, and this included the organisation's recent £20m IT procurement contract.

In 2014, however, we helped to secure a series of loans for the client which between them were worth more than £100m. We also advised on three significant financial transactions which will deliver hundreds of new affordable homes as well as fund improvements to Home Group's current housing stock. These included government-backed funding of £20m and a £44.5m loan from The Housing Finance Corporation – funded by the Department for Communities and Local Government and the European Investment Bank. In September we also advised on a further loan of £41m from Affordable Housing Finance Plc. Required to help pay for new stock, this loan was also backed through the European Investment Bank and had a government-backed guarantee.

Our key role in advising Home Group also extended to a first-of-its-kind deal which enabled Home Group to access low-interest funding from an 'AAA-rated' £208m bond. The bond deal was the first time this mechanism has been used to fund social housing in the UK and because of its nature the team at Muckle had to work to tight timescales that were dictated by the complexities arising from 13 different registered providers working towards a shared timetable. We were incredibly proud to have played a pivotal role in such a complex and high profile transaction.



Russell Hall, Will McKay and Louise Duffy from Muckle (left) with Austin Woods and Amanda Rickerby from Home Group







# A wise move to Nelson Park

**Geneius Laboratories, a world-leading DNA-based food and drinks testing company, has leased a 20,000 sq ft building at Nelson Park, Cramlington.**

Muckle's role in the move was to advise UK Land in enabling Geneius, a high-tech spin-out from Newcastle University, to adapt an existing state-of-the-art laboratory for their relocation to Nelson Park, Cramlington.

Geneius's unique DNA-based testing methods help identify contaminants in food and drinks for producers and major retailers. The company also provides microbial identification and strain-typing services, delivering CSI-style investigative tools to explore issues in factories as well as the supply chain itself.

Significantly, Geneius relocated, attained the rigorous accreditations necessary for operation and continued operating without any disruption during the move.



# Express delivery for Boldon Business Park

Working closely with UK Land's North East Property Partnership, we helped Nippon Express obtain a long-term lease on a 51,000 sq ft warehouse and production facility at its Boldon Business Park in South Tyneside. The

site, close to the A19 and only two miles from Nissan's plant, made this a prime location for the global logistics business, which operates in 40 different countries.





# Tunnel vision

Recently we were pleased to have been involved in advising UK Land Estates on the next phase of the company's multi-million-pound refurbishment programme at Tyne Tunnel Estate, as well as a brand new project for Chirton Engineering.

To date, UK Land Estates has invested over £2.4m in extensive refurbishments for 12 of the smaller units on Tyne Tunnel, while Chirton Engineering has agreed a 46,000 sq ft pre-let for an engineering facility that will service the oil and gas and renewable energy sectors.

Part of the scheme includes the installation of a biomass-fuelled heating system to reduce their carbon footprint

A section of the building has also been set aside to provide training for apprentices and

will form part of the North East Advanced Manufacturing Academy, with educational support coming from North Tyneside Council, Tyne Metropolitan College, Tyne North Training and the UK Commission for Employment and Skills.



# Business park takes off

You may recall that back at the beginning of 2014, Robert Goodwill MP, Parliamentary Under-Secretary of State for Transport, visited the region and launched the Newcastle International Airport Business Park, this being a collaboration between Newcastle Airport and UK Land Estates.

The Airport will retain ownership of the land, while UK Land will make the necessary capital investment to create buildings, with significant areas of the space to the south of the airport having been allocated for development into a business park for offices, freight and logistics warehouses, as well as engineering hangers. The project comprises four phases, which collectively have the potential to deliver over 7,000 jobs and a regional GVA of over £300m. Phase one will see the construction of 175,000 sq ft of office accommodation, consisting of six new office buildings which will be able to accommodate up to 1,000 people. Another 44-acre site next to the runway has been allocated for industrial and distribution development, while a further 74 acres could be brought forward in the long term.





# Regenerating estates

As you might imagine, we were thrilled to have been asked to act for Arch Group, which is the development arm of Northumberland County Council, in its acquisition of a portfolio of nine industrial estates across Northumberland. These were located in Cramlington, Ashington,

Seaton Delaval and Blyth, and were purchased from Hansteen/Ashtenne at a price that was around £9m.

It was an acquisition which followed the model already established by Arch's management

that sees them acquire investment properties in Northumberland with a view to creating income that will help support their longer-term regeneration projects within the County.

# Arch

The Northumberland  
Development Company



“We are delighted to have worked with Adrian Hill and his team on this key acquisition. The team managed the whole process seamlessly to ensure our required completion date was met and we were impressed by their commercial approach in narrowing down key commercial issues.”

**Michael Black, Commercial Property Manager at Arch Group.**



# Caring estates



**The Northumberland Estates**

It was towards the end of 2014 that we were asked to advise Northumberland Estates on one of its key real estate transactions. This involved the sale of some land to Isos Housing for the development of a £5m Extra Care housing project in Alnwick.

Work at Weavers' Court is already underway and will ultimately provide 58 one- and two-bedroom apartments, with 30 available to buy through older persons' shared ownership and the remainder available to rent from social landlord, Isos Housing. As such, the aim of

the development is to promote independence in older and vulnerable people, and will enable those with chronic and other health conditions to live in the community, while at the same time helping to prevent admissions to residential care.



“We think Weavers' Court will be a great success – it represents a major investment in the town, creating much-needed, high-quality care and community facilities. It is an important first phase of development to the town which will include the new high school, family housing and sports facilities.”

**Colin Barnes of The Northumberland Estates.**

# Education

The Education Team here at Muckle has certainly been busy over the past 12 months, supporting many of our education clients with their various real estate projects.

As part of our work the team regularly provides real estate advice to universities, further education colleges, academies, multi-academy trusts and private schools. We have also been appointed recently to the London Universities' Purchasing Consortium panel, which is set to substantially increase the amount of real estate work that we will be undertaking.

One particularly large and interesting project in 2014 involved us assisting Newcastle University in its acquisition of the former PwC building in Newcastle. We're also delighted to have been retained by the University in its involvement in the redevelopment of the Science Central site as this will be one of the largest and most important developments to take place in the centre of Newcastle over the next few years.

Throughout 2014 we also assisted in the conversion and sponsorship of a number of academies, including advising the St. Peter's group of Catholic schools on the conversion of St Peter's Roman Catholic Secondary School and its three feeder primaries.



**DISCOVERYALLIANCE**

We were also responsible for handling the final conversion of the Discovery Alliance of schools. This involved Easterside Primary School and the transfer of Red House Academy into the Northern Education Trust and required us to negotiate lease documents for Red House which would normally have been settled on that school's initial conversion. However, due to ongoing building works at that time, these had not been concluded.



Other work the Team undertook in 2014 included advising on the sponsorship of Ian Ramsey Church of England School by the Venerable Bede Academy Trust (now Dayspring Trust), an existing client of the firm. Ian Ramsey was a forced conversion and going forward will be sponsored by Venerable Bede in order to share best practice and raise standards.



# New clients

We are, of course, always delighted when clients provide us with repeat instructions and entrust us with their legal requirements yet again. We genuinely never take this for granted and appreciate each and every new instruction.

Our reputation and (dare we say it) hard work has meant that our Real Estate Team was also successful in welcoming the following new clients during 2014:



AUCKLAND CASTLE

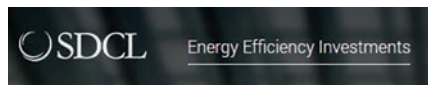
# New panel appointments

London Universities Purchasing Consortium (LUPC) SDCL EECO (UK) LLP



We are proud to be the only firm without a London office to have won a place on this full-service legal panel for the next three years. LUPC has over 90 Members, made up of universities and

colleges, as well as government agencies, research organisations and museums and other cultural establishments.



We are delighted to have been appointed to a national panel to advise Sustainable Development Capital LLP (SDCL), the manager of a specialist energy efficiency fund into which the UK Government's Green Investment Bank (GIB) has made a £50m commitment.

Since being appointed to the panel, Muckle has already completed a deal involving a £2m investment into ReEnergise Finance Ltd's Smart Energy Finance vehicle. This has been set up to provide loans, primarily to SMEs in the North East and across the UK, for energy efficiency projects, with initial loans already in progress for biomass and lighting projects for a variety of organisations.

## Banking panel appointments

During 2014 we were appointed to a number of bank legal panels, including:

- Santander UK's Corporate and Commercial Banking legal panel;



- Clydesdale Bank and Yorkshire Bank's East of England legal panel including Yorkshire and the North East; and



- Lloyds Banking Group's panel for Commercial Banking.



# Investing in expertise

**The strong real estate growth we saw last year, with an increase in instructions across the house-building, registered provider and commercial development sectors, has encouraged us to invest in a number of new appointments to the team. We have further strengthened our offering to registered providers by inviting Partner, Russell Hall to be leader of our Registered Providers Team as we continue to build upon our well-established services to the housing sector.**

Russell brings with him 15 years' invaluable experience of working with regional and national housing providers such as Gentoo, Home Group, Isos, Bernicia Group, Four Housing, Thirteen and Places for People. His areas of specialist expertise are in non-contentious housing law and practice, governance and regulatory work.

Austin Woods, Head of Legal Services at Home Group, commented on Russell's appointment, saying: 'We have worked with Muckle LLP for some time now. Having Russell join them, bringing with him the detailed knowledge and understanding of the sector, really does strengthen the offer Muckle makes to the region's registered providers. This demonstrates a real commitment to the sector as a whole.'

In addition, Jonathan Bone was promoted to Associate Solicitor in our team during 2014. This was in recognition of the key role he plays in helping to manage some of our key client relationships.

Four other lawyers have also joined the team - Solicitors Alex Hunter, Ian Gibson and Rhiannon Griffiths have been in place for a number of months now, while Solicitor, Andrew Thirlwall qualified into the team in September, after spending two years with us as a Trainee.

Rhiannon has eight years of experience in advising leading UK financial services institutions on a broad range of real estate and finance transactions.

Meanwhile Alex has more than nine years' experience of real estate work, including landlord and tenant matters, property finance, freehold and leasehold acquisitions, disposals and development projects. And if her name rings a bell it's probably because Alex had worked for Muckle previously before taking a career break.

Ian has four years' experience of acting for commercial developers and the public sector on a variety of real estate matters across the North East, while Andrew is enjoying providing support right across the team.

We're pleased to say that in 2015 each of these new recruits will be contributing enormously to the breadth and depth of the advice and service that we enjoy delivering for our clients.

Alex Hunter, Ian Gibson, Rhiannon Griffiths and Andrew Thirlwall with Jonathan Combe.



Jonathan Combe and Russell Hall.



# Your key contacts



**Adrian Hill**  
Partner

**T:** 0191 211 7994  
**M:** 07808 911 832  
adrian.hill@muckle-llp.com



**Jason Wainwright**  
Partner

**T:** 0191 211 7951  
**M:** 07850 508 301  
jason.wainwright@muckle-llp.com



**Jonathan Combe**  
Partner

**T:** 0191 211 7925  
**M:** 07776 208 243  
jonathan.combe@muckle-llp.com



**Judith Birkett**  
Partner

**T:** 0191 211 7947  
**M:** 07880 199 290  
judith.birkett@muckle-llp.com



**Will McKay**  
Partner

**T:** 0191 211 7943  
**M:** 07711 514 017  
will.mckay@muckle-llp.com



**Russell Hall**  
Partner

**T:** 0191 211 7960  
**M:** 07880 039 705  
russell.hall@muckle-llp.com



**Adrian Hicks**  
Associate Solicitor

**T:** 0191 211 7981  
**M:** 07515 577 535  
adrian.hicks@muckle-llp.com



**Gail Bennett**  
Associate Solicitor

**T:** 0191 211 7963  
**M:** 07785 613 369  
gail.marshall@muckle-llp.com



**James Armstrong**  
Associate Solicitor

**T:** 0191 211 7977  
**M:** 07776 208 240  
james.armstrong@muckle-llp.com



**Kate Sutton**  
Associate Solicitor

**T:** 0191 211 7973  
**M:** 07515 992 279  
kate.sutton@muckle-llp.com



**Martin Wilson**  
Associate Solicitor

**T:** 0191 211 7985  
**M:** 07515 577 534  
martin.wilson@muckle-llp.com



**Jonathan Bone**  
Associate Solicitor

**T:** 0191 211 7974  
**M:** 07880 383 893  
jonathan.bone@muckle-llp.com

# muckle<sup>LLP</sup>



## Muckle LLP

Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4BF | DX 61011

Tel: 0191 211 7777 | Fax: 0191 211 7788 | [www.muckle-llp.com](http://www.muckle-llp.com)

