

STUDENT ACCOMMODATION

REDUCED PRICE

INCOME STRIP INVESTMENT OPPORTUNITY

NORTH HIGHLAND COLLEGE UHI Shore Road, Dornoch, IV25 3LS



MORAY COLLEGE UHI Alba Place, Bishopmill, Elgin, IV30 4JN

INVESTMENT SUMMARY

- Excellent opportunity to acquire two purpose-built student accommodation (PBSA) properties on an income strip.
- Located within the Moray and Highland regions of Scotland – Nairn and Dornoch – the sites offer strong communication links via the nearby A9 and A96 trunk roads.
- Each property provides 40-beds within cluster flats (38-beds) and studios (2-beds).
- Let to the University of the Highlands and Islands on 35 year lease terms, expiring in 2052, with no breaks.
- Total current passing rent of £280,028 following August 2018 RPI uplift.
- Both leases benefit from annual rent reviews on a RPI linked basis, subject to a collar of 0% and cap of 5%.
- Attractive running yield profile over the lease term.
- We are instructed to seek **offers in excess of £5,025,000** (exclusive of VAT) for the benefit of the income produced. A purchase at this level would provide an attractive **net initial yield of 5.25%** following an allowance for purchasers costs of 6.11%.



PORTFOLIO OVERVIEW

ADDRESS	TENANT NAME	LEASE START	LEASE EXPIRY	BREAK OPTION(S)	NEXT REVIEW	WAULT (EXP)	RENT	COMMENTS
Moray College UHI, Alba Road, Elgin	University of the Highlands and Islands	18/08/2016	17/08/2052	None	Annually	34	£140,014	The rent is subject to annual rent reviews on a RPI index linked basis, subject to a collar of 0% and cap of 5%. The tenant will have an option to acquire the heritable (Scottish equivalent of English freehold) interest for £1 if the full 35 years rent have been paid. Rental uplift to £140,014 agreed as of August 2018 to August 2019
North Highland College UHI, Shore Road, Dornoch	University of the Highlands and Islands	17/08/2017	16/08/2052	None	Annually	34	£140,014	The rent is subject to annual rent reviews on a RPI index linked basis, subject to a collar of 0% and cap of 5%. The tenant will have an option to acquire the heritable (Scottish equivalent of English freehold) interest for £1 if the full 35 years rent have been paid. Rental uplift to £140,014 agreed as of August 2018 to August 2019

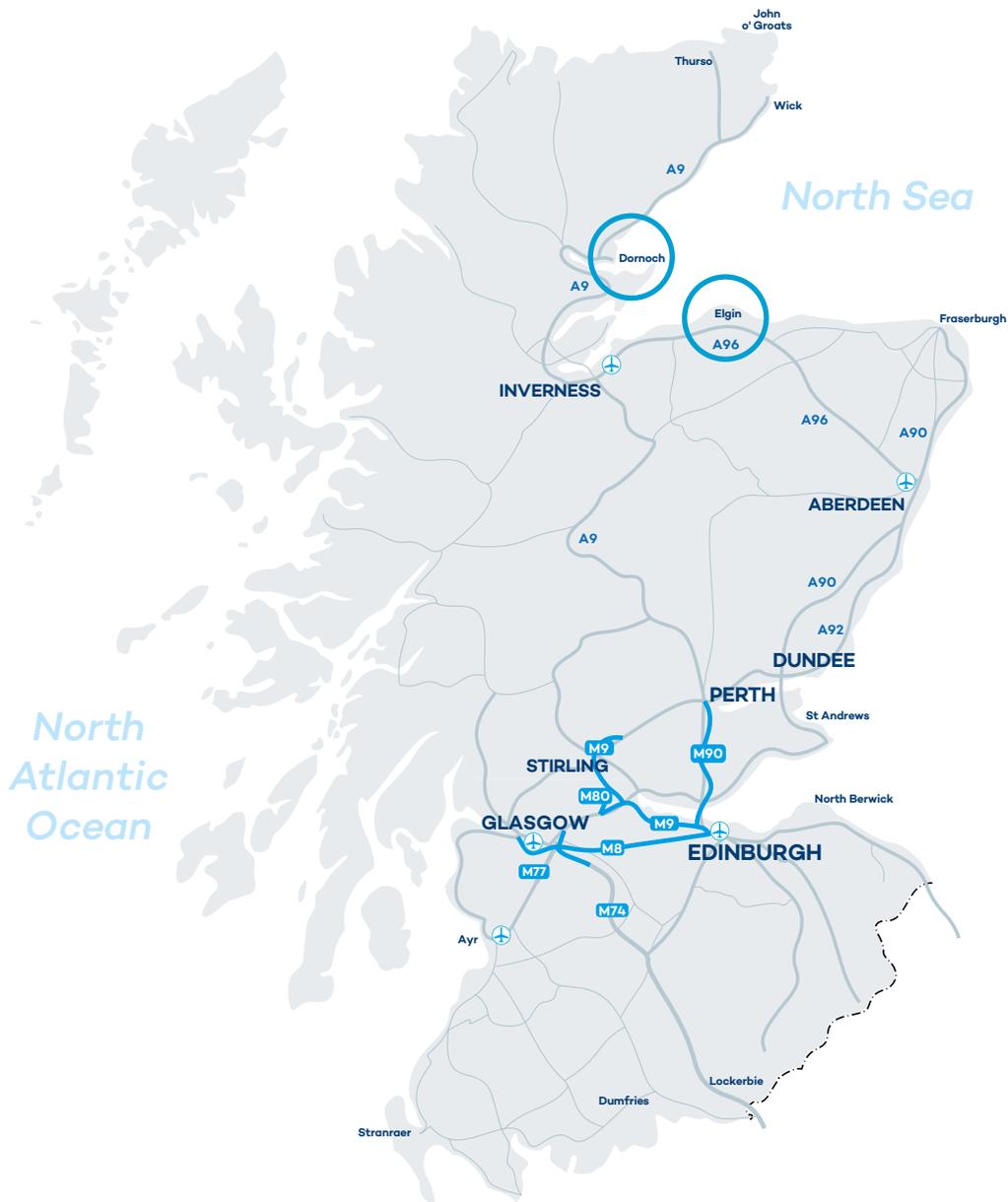
Moray College UHI, Alba Road, Elgin



North Highland College UHI, Shore Road, Dornoch



COMMUNICATIONS



STUDENT ACCOMMODATION MARKET

The number of purpose-built student accommodation bed spaces in the United Kingdom has risen to 602,000 in 2017/18. The market continues to evolve apace with 30,000 new beds delivered for this academic year, with almost 8,000 beds taken out of use to be refurbished or repurposed over the same period. New supply was dominated by private sector development in 2017, with 87% of all beds delivered by this part of the market.

Universities still provide the largest number of bed spaces, offering 57% of all rooms available in 2017/18, with the private sector providing the remaining 43% of beds – up from 41% in 2016. En-suite and studio bed spaces continue to dominate developments, with the former accounting for 52% of all new beds available for 2017/18, and the latter for 43%.

ACCOMMODATION

SITE	RENT '17-'18	RENT '18-'19	CLUSTERS	STUDIOS	TOTAL
Elgin	£135,410 pa	£140,014 pa	38	2	40
Dornoch	£135,410 pa	£140,014 pa	38	2	40
TOTAL	£270,820 pa	£280,028 pa	76	4	80

INCOME STRIP INVESTMENT COMPARABLE SALES

ADDRESS	TENANT	DATE	PURCHASER	PRICE	NIY	COMMENTS
Blackfriars, Gloucester	University of Gloucestershire	September 2017	Aviva Investors	£23,500,000	3.40%	Aviva Investors agreed to forward fund development of a 295-bed scheme which was subsequently let to the University of Gloucestershire for a period of 50 years on an income strip basis.
Plot 7a, Beechwood Campus, Inverness	University of the Highlands and Islands	November 2016	Aviva Investors	£9,400,000	4.90%	Aviva Investors agreed to forward fund the development of a 150-bed scheme which upon completion was let to University of the Highlands and Islands on a new 35 year FRI lease, with no breaks and annual RPI linked rent reviews, subject to a collar at 0% and cap at 5%. Slightly softer investment yield reflective of the fact it was development funded.
Camanachd Crescent, Fort William	University of the Highlands and Islands	November 2016	Aviva Investors	£3,037,000	4.91%	Aviva Investors agreed to forward fund the development of a 40-bed scheme which on completion was let to the University of the Highlands and Islands on a new 35 year FRI lease, with no breaks and annual RPI linked rent reviews, subject to a collar of 0% and a cap of 5%. Slightly softer investment yield reflective of the fact it was development funded.
Queens Road, Student Village, Winchester	University of Winchester	September 2016	L&G	£31,000,000	3.92%	399 bed student village let to the University of Winchester on FRI terms on a 40 year income strip basis at a rent of £1,300,000 per annum which is subject to annual rent increases linked to RPI.
Cathedral Road, Derby	University of Derby	October 2015	Aviva	£20,370,000	4.35%	Aviva agreed to forward fund London & UK Property's development of a 350 bed student development. The property is let on FRI terms on a 30 year income strip basis. The starting rent of £931,875 is to be reviewed 5 yearly to RPI subject to a minimum increase of 0% and a maximum increase of 5%.

LOCATION

Elgin is the administrative and commercial centre for Moray. The city lies 66 north-west of Aberdeen and 39 miles north-east of Inverness and benefits from being located on the A96 trunk road which links the cities of Inverness and Aberdeen. The A96 runs from Raigmore Interchange at Inverness to Haudagain Roundabout at Aberdeen, passing through various towns and villages along the route. Transport Scotland plans to upgrade 86 miles of single carriageway along the A96 to dual carriageway by 2030 in order to improve connectivity and deliver economic growth.

More specifically, the subject property is located within the Bishopmill district of north Elgin approximately 2 miles north of the city centre.

DESCRIPTION

The property comprises purpose built student accommodation of modern construction in excellent condition. Only recently reaching practical completion in 2017 the building has a mixture of timber effect rainscreen cladding and white render finishes, under pitched and slated roof coverings. All windows are double glazed set within aluminium clad timber frames.

The unit extends over ground and first floor levels and provides 40-beds (38 x En-suite Cluster Flats & 2 x Studio Apartments) internally each with a bed, bedside table/fitted unit, workstation, study chair, wardrobe, drawers, shelf, mirror and notice board. Each cluster flat benefits from a communal kitchen, lounge and dining room.

TENANCY

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INVESTMENT CONSIDERATIONS

- Modern purpose built student accommodation.
- The building only reached practical completion in 2017.
- Lengthy income strip investment offering circa 34.5 years unexpired term certain.
- Lease benefits from annual RPI-linked rent reviews with a collar of 0% and cap of 5%.

LOCATION

Dornoch is a town and seaside resort in the Highlands of Scotland. It lies on the north shore of the Dornoch Firth, near to where it opens into the Moray Firth to the east. The town is within the county of Sutherland and Highland council area.

Dornoch's is located approximately 1.5 miles east of the A9 road, to which it is linked by the A949 and the B9168. The A9 is a major road running from the Falkirk council area in central Scotland to Thurso in the far north, via Stirling, Bridge of Allan, Perth and Inverness. At 273 miles it is the longest road in Scotland and is commonly referred to as 'the spine of Scotland'.

The subject property is located to the south of Dornoch town centre adjacent to The Meadows Business Park and only a short distance west of Royal Dornoch Golf Club.

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COVENANT

UNIVERSITY OF THE HIGHLANDS



The University of the Highlands & Islands (UHI) provides a unique service of higher education through a partnership of 13 Scottish colleges, research institutes and specialist institutions across the Highlands and Islands. University status was awarded in February 2011 and there are currently approximately 32,000 students of which 7,500 are in higher education.

Over the last 25 years UHI have been supported to grow and develop by successive UK and Scottish governments. It has cross party support and remains a key component and future driver of the economy for the region. UHI is widely acknowledged as a major asset to the regional economy, helping to create and sustain businesses along with championing local culture and the environment. There are a dozen research centres specialising in agronomy and marine science to Nordic studies, diabetes and rural childhood.

General degree subject areas include:

- Engineering and construction;
- Education, health, and social care;
- Business management and hospitality;
- Forestry, hair and beauty;
- Creative and cultural industries;
- Science, sport and technology.

An overview of the University of the Highlands and Islands' financial information is set out below:

	31 July 2017 (£'000s)	31 July 2016 (£'000s)	31 July 2015 (£'000s)
Turnover	99,830	93,635	90,349
Pre-Tax Profit	572	1,667	2,184
Tangible Net Worth	2,440	1,171	3,821
Net Current Assets (Liabilities)	7,605	6,377	8,580
D&B Rating	N1		

UHI's previous D&B rating was 2A1. During the 2016/2017 financial year UHI invested significantly in new research and health sciences facilities as part of their Inverness campus. As a result of this investment their financial ratings dropped to negative for the first time despite turnover rising 6.2%. The most up to date management accounts indicate a surplus to January 2018 (6months).

As a result of the ambition of UHI to create a minimum of 725 student residences by 2020, they implemented a competitive dialogue procedure to select bidders for a UHI residence under tender. This process, since concluded had resulted in Cityheart being formally confirmed as preferred developer.

The subject properties formed part of phase 2 development which included 150 beds in Inverness completing in 2017. This followed the completion of phase 1 (2016) forward funded on an income strip basis by Aviva Investors which provided 130 beds in Inverness and a further 40 beds in Fort William.

TENURE

The Vendor is selling the Heritable Title to both properties (Scottish equivalent of English freehold).

ENERGY PERFORMANCE CERTIFICATE

EPCs can be made available on request.

VAT

The subject property is elected for VAT. We expect the transaction to be structured as a Transfer of a Going Concern (TOGC).

LEGAL

All legal documentation will be provided within a dropbox. Details of which can be provided to interested parties on request.

RENTAL 2018-2019

The agreed uplift as of August 2018 is 3.4%. The revised rent for both assets are as follows:

> Elgin: £140,014 > Donoch: £140,014

PROPOSAL

We are instructed to seek **offers in excess of £5,025,000** (exclusive of VAT) for the benefit of the income produced. A purchase at this level would provide an attractive **net initial yield of 5.25%** following an allowance for purchasers costs of 6.11%.

The subject properties are also available on a corporate sale basis. Further details of which can be made available upon request.

VIEWINGS AND FURTHER INFORMATION

Please contact the sole selling agents.



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