Talisman House

163 Holburn Street | Aberdeen

Offers sought in the region of £19.50m reflecting an extremely attractive NIY of 11.77% assuming standard purchaser's costs including LBTT. A purchase at this level equates to a capital rate of £202 psf.

Executive Summary

01.

High-quality landmark investment within a key UK city.

02.

Well positioned asset within Aberdeen's West End.

03.

Purpose-built iconic office HQ extending to 96,305 Sqft.

04.

100% let to Talisman Energy (UK) Ltd now t/a Repsol Sinopec Resources UK Ltd.

05.

Repsol Sinopec Resources UK Ltd is a D&B rated 5A1 covenant.

06.

Let until 26 December 2025 reflecting an unexpired term of 4.2 years.

07.

Repsol Sinopec occupy the property in its entirety.

08.

Passing rent of £2,450,179 pa reflecting £25.44 psf.

09.

Opportunity to re-gear with current tenant who continues to undertake rolling refurbishment programmes. It is estimated that the tenant has spent in the region of £3m since 2018.

Aberdeen

...the energy capital of Europe

Aberdeen is Scotland's third largest city and is the energy capital of Europe making it one of the most prosperous business focused cities in the UK.

The population of the city is estimated at 220,000 people with a catchment population in excess of 500,000.

£62,500

Output per worker in Aberdeen (£62,500 per annum) in Scotland is second only to Edinburgh (£68,150 per annum) and also beats other UK regional cities including Manchester, Leeds and Bristol.

Aberdeen Western Peripheral Route (AWPR) completed in February 2019, which was Scotland's largest construction project and has significantly improved commuter journey times in and around the city.

£2.5 billion

£2.5 billion of public and private investment has been delivered during 2018 – 2020 with over £10 billion committed to the region over the next 10 years.

A second harbour port is under construction and due for completion in 2022. This was specifically created to service the offshore green energy sector.

Aberdeen is set to become a green energy powerhouse with signficant investment in offshore wind, Hydrogen and Carbon Capture technologies.

Aberdeen's Energy Sector

Aberdeen has been at the forefront of the British offshore energy industry since the 1970s and is widely recognised as the energy capital of Europe. Leading oil and gas companies operating from regional headquarters in the city include BP, Shell, Total, Repsol Sinopec, TAQA, CNOOC Petroleum and Apache.

In the last two years a wave of new private equity backed investment has burst onto the scene. More than $12bn of private equity money poured into the UK North Sea backed by some of the biggest names in the industry.

Private capital investment has reshaped the asset ownership landscape, with significant resources shifting from the supermajors to specialist operators focused on increasing returns from technically challenging wells and new discoveries. This is extending the life of the industry as new entrants develop ways to operate more efficiently. According to analyst Wood Mackenzie a further $13bn of private equity investment could be deployed in the market. With a lower cost base independents can consolidate around existing hubs, maximise production, drive innovation, increase recovery and reduce decommission spend.

Given its location within close proximity to the North Sea, Aberdeen is well placed to take advantage of the Green Energy boom with close access to North Sea off shore wind farms as well as carbon capture technologies associated with the North Sea oil fields.

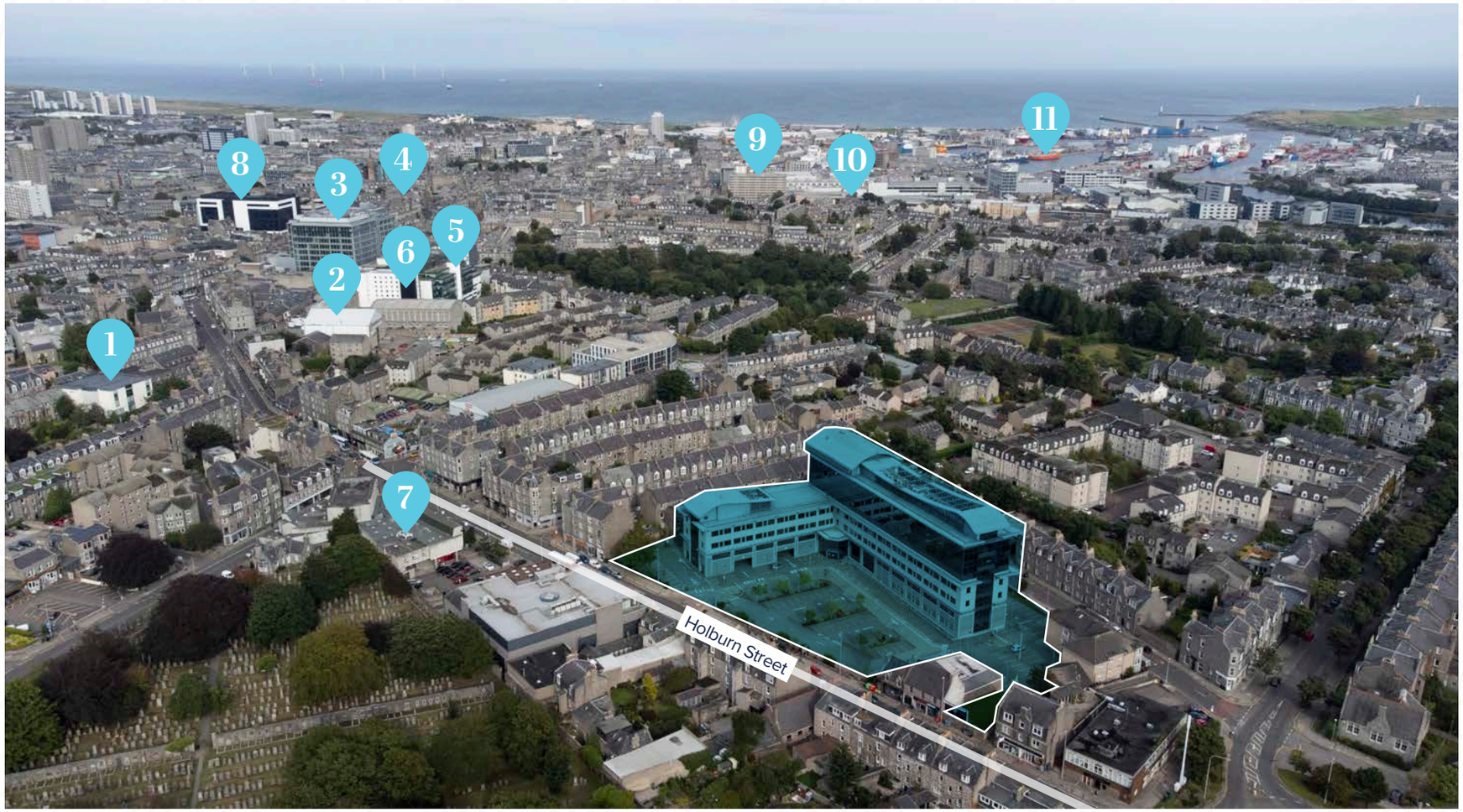
Situation

The subject is located on Holburn Street within an established mixed-use location in Aberdeen city centre. Aberdeen's prime retail destination is located within a short walk, less than ½ a mile to the north. The asset is accessed via the A9013, which via the A92 is the main arterial route to Glasgow, Edinburgh and the South.

The recent decision by Shell to relocate 1,000 staff to Silver Fin in the city centre confirms the continued strength of the Central Business District and is sure to encourage and attract other office occupiers to the area.

Key

1. Brodies House
2. Nuffield
3. Silver Fin - Shell, Orega, Neo Energy, Prosafe Offshore Ltd, Verus Petroleum
4. The Capitol - Chrysaor Holdings, PricewaterhouseCoopers, Dentons
5. IQ - Spirit Energy, Wood, Ethos Energy
6. Travelodge
7. Sainsbury's
8. Union Plaza - Deloitte
9. Union Square Shopping Centre
10. Aberdeen Train Station
11. Aberdeen Harbour

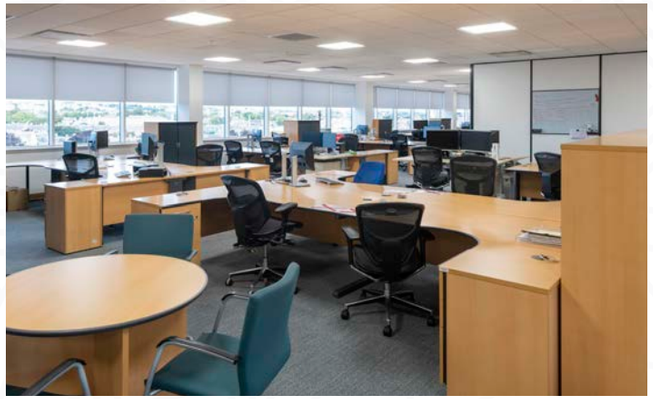


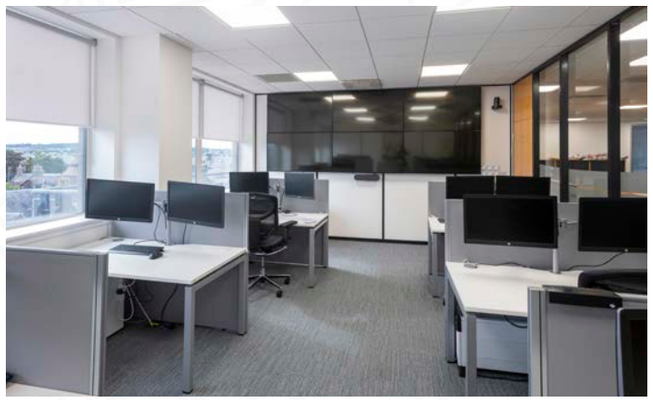
Developed in 2000, Talisman House has been an iconic feature of the Aberdeen skyline for over 20 years.

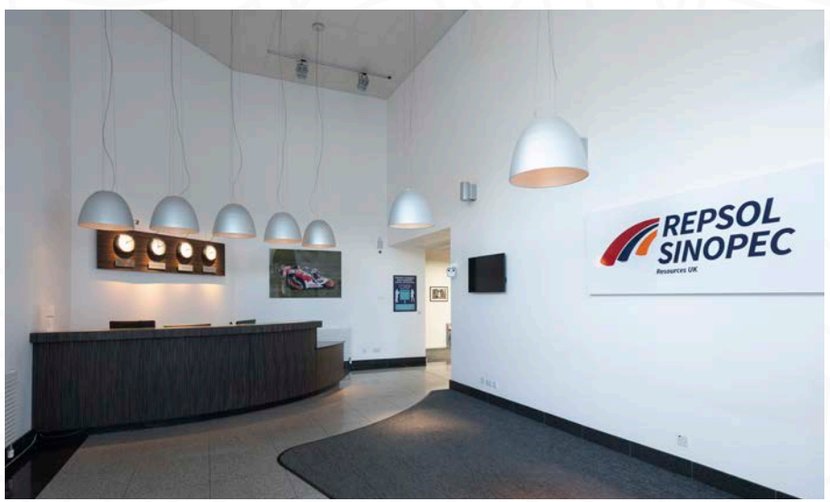
Description

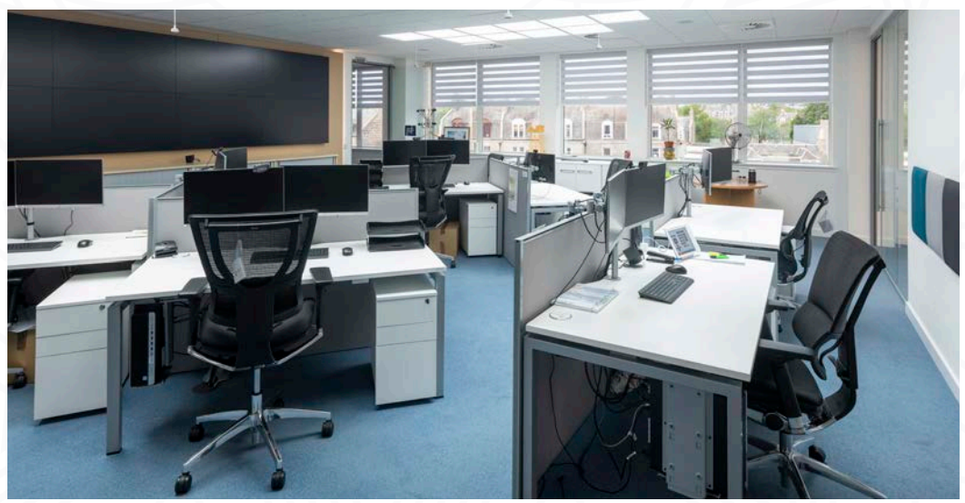
Purpose-built as the headquarters for Talisman Energy, the building is L-shaped and split over two wings, North and East. The North Wing extends to 4 storeys with under-croft parking on the ground floor whilst the East Wing has 7 storeys with lower ground parking fronting onto Hardgate. The building is of steel frame construction with the following specification:

- Double-height reception
- On-site canteen
- Raised access floors
- Suspended ceilings
- 4 pipe fan coil air conditioning
- 3 passenger lifts (2 x 16 person and 1 x 18 person)
- Gym/Yoga Studio









The tenant has undertaken rolling annual maintenance programmes throughout their occupation and are estimated to have spent in the region of £3.00m since 2018. Part of the spend has been refurbishing the office accommodation including upgrading LED lighting throughout as well as refurbishing all passenger lifts in 2021. Money has been allocated by the tenant for the final element of the refurbishment programme which is the ground floor (East Wing) and common areas with work due to commence shortly.

Repsol Sinopec also recently added three Integration Operations Centres on the 2nd, 3rd and 4th floors which includes state of the art communications systems allowing them to communicate and run diagnostics on the offshore rigs remotely.

Accommodation

The building has been measured in accordance with the RICS Code of Measuring Practice and extends to an approximate Net Internal Area of 96,305 Sqft.

Wing	Floor	Use	Sqft	Sqm
North	3rd	Office	6,925	643.3
	2nd	Office	6,925	643.3
	1st	Office	6,510	604.8
	Grd	Car Parking	N/A	N/A

Wing	Floor	Use	Sqft	Sqm
East	6th	Office	10,785	1,002.0
	5th	Office	10,740	997.8
	4th	Office	10,705	994.5
	3rd	Office	10,705	994.5
	2nd	Office	10,705	994.5
	1st	Office	10,777	1,001.2
	Grd	Office/Canteen/Reception	4,658	432.7
	Grd	Storage	6,099	566.6
	Total		**96,305**	**8,946.8**

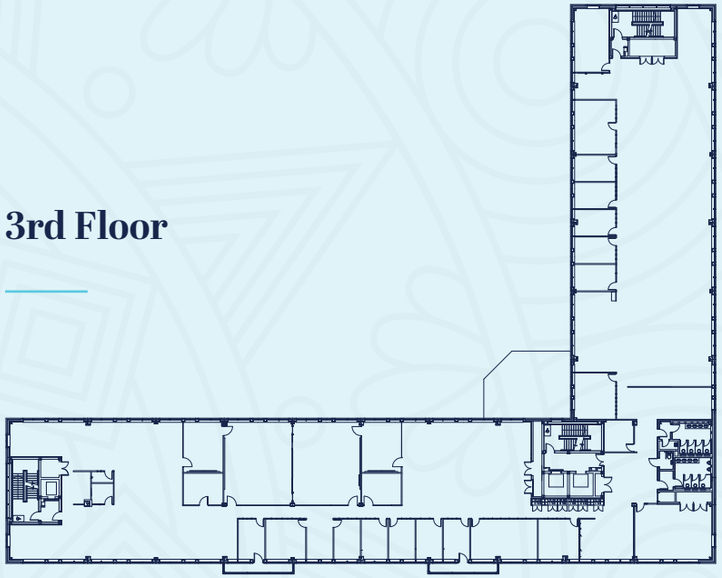
NB An area of 96,306 Sqft is stated within the 2001 Minute of Agreement.

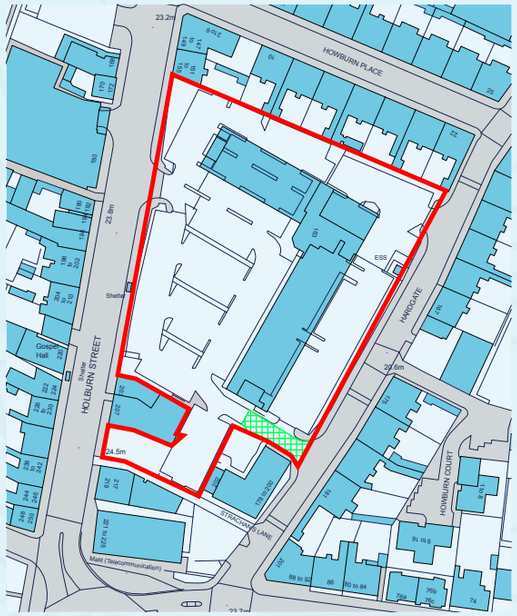
The property occupies a site of approximately 2.34 acres (0.95 hectares). It is bound by Holburn Place to the north, Hardgate to the east, residential to the south and Holburn Street to the west. Separate access is available via Hardgate.

There are approximately 281 car parking spaces on site.

Ground Floor

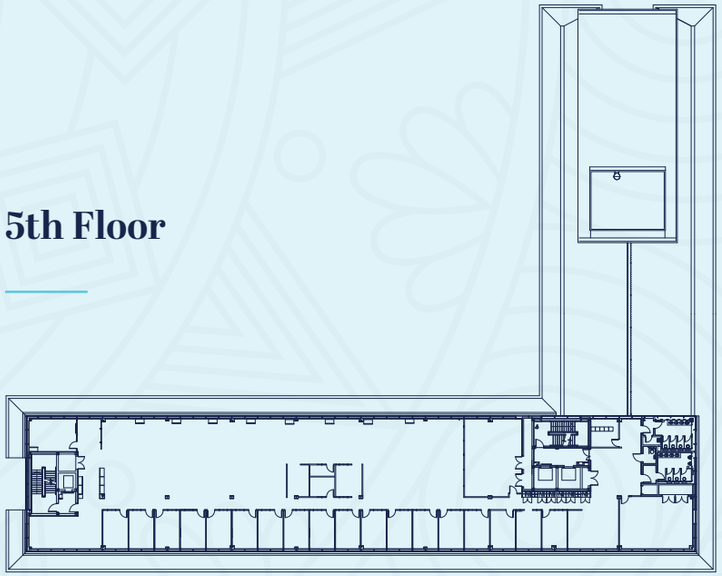
3rd Floor



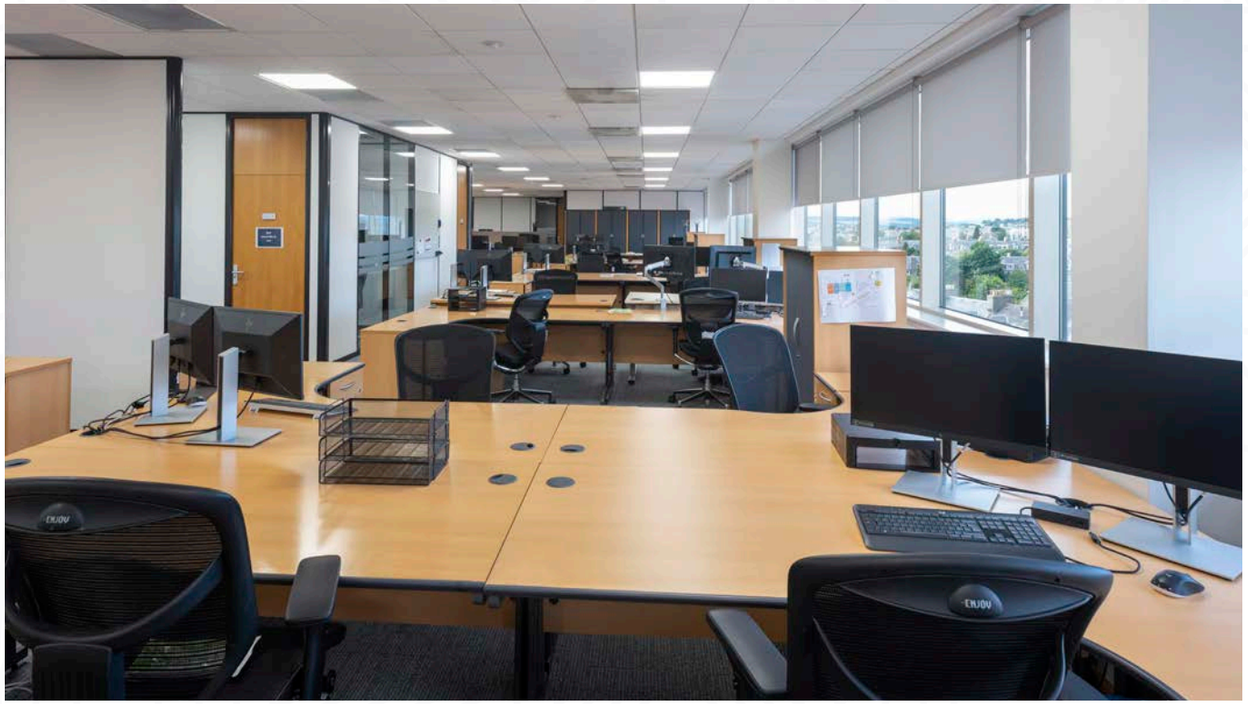


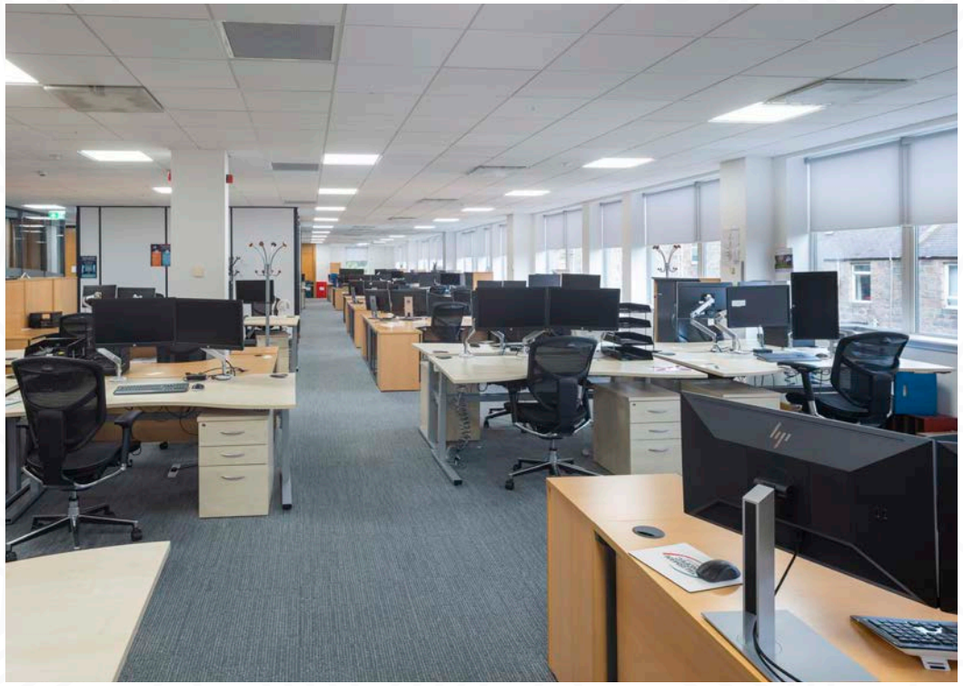
Common rights of access over the hatched area

5th Floor



Indicative floor plans only





High-quality landmark investment within a key UK city.

Tenancy

The property is let in its entirety to Talisman Energy (UK) Ltd t/a Repsol Sinopec Resources UK Ltd on an institutional and repairing 25 year lease expiring on 26 December 2025. The passing rent is £2,437,989 pa reflecting a rate of £25.33 psf. There are no remaining rent reviews. In addition to the aforementioned rent, a management fee of £12,290 pa is payable to the landlord providing a total rent of £2,450,179 pa reflecting a rate of £25.44 psf.

Tenure

Heritable (Scottish equivalent of Freehold).

Tenant Covenant

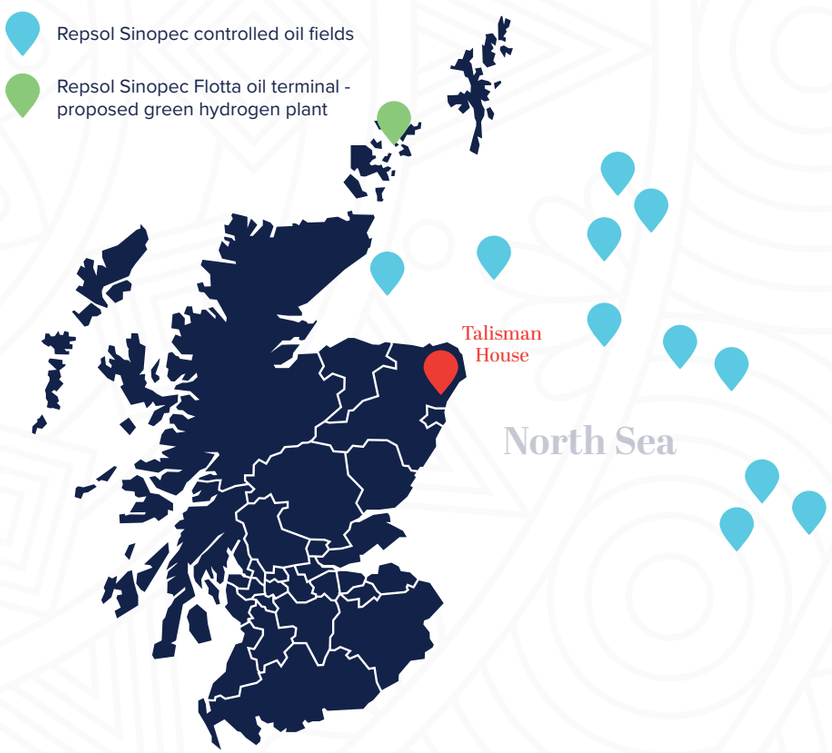
Talisman Energy (UK) Ltd was a subsidiary of Talisman Energy Inc, a Canadian multinational oil and gas exploration and production company headquartered in Calgary. In July 2012, Chinese petrochemical company, Sinopec acquired a 49% equity interest in Talisman's UK North Sea business, which resulted in a new entity, Talisman Sinopec Energy UK Ltd being created in December of that year.

In 2015, Talisman Energy Inc was acquired by Spanish oil and gas company, Repsol SA and renamed Repsol Oil & Gas Canada Inc. This acquisition included Talisman's 51% shareholding in Talisman Sinopec Energy UK Ltd which was subsequently renamed Repsol Sinopec Energy UK Limited.

Repsol Sinopec Resources UK is an oil and gas exploration and production company operating in the North Sea. It is headquarted at the subject property, Talisman House, where it has interests in 48 oil fields of which it operates 38. This includes 11 offshore installations (ten fixed and one floating) and two onshore terminals in Orkney and the Cromarty Firth. As part of a drive into green energy, Repsol Sinopec has recently announced its intention to repurpose its Flotta oil terminal in Orkney as one of the worlds first large-scale green hydrogen plants.

Repsol Sinopec Energy UK Limited has a D&B rating of 5A1. Further financial information can be found below.

Year Ending	Turnover	Net Worth	Profit
31/12/2020	$799,941,000	$336,477,000	-$745,398,000
31/12/2019	$1,295,448,000	$820,063,000	$232,892,000
31/12/2018	$1,508,748	$564,895,000	$1,678,990,000



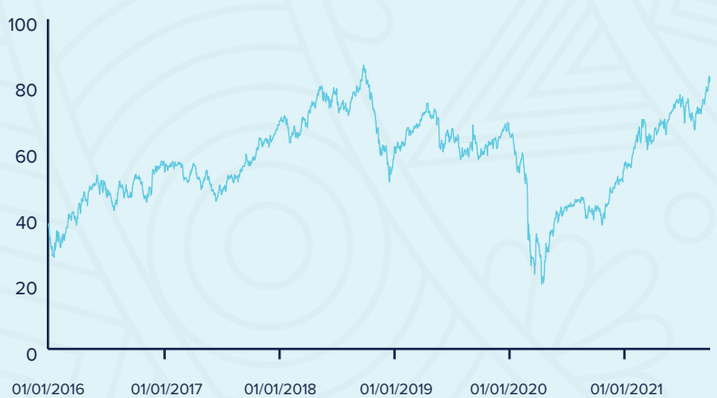
Aberdeen is diversifying into the Green Energy Market

Aberdeen Occupational Market

Despite the COVID-19 pandemic only exasperating an already challenging market, 2020 saw take-up of 457,661 Sqft in Aberdeen only marginally down from 2019's levels of 529,474 Sqft and ahead of the 5 year average (424,561 Sqft). Prime rents currently sit at £32.50 psf. The commitment of both Shell and BP to new Grade A office headquarters in Aberdeen has confirmed not only the continued confidence in the North East but will also provide a platform for these oil majors to transition into the renewables sector. BP has signed up for 102,000 sq ft at the Aberdeen International Business Park in Dyce and Shell has recently announced that it will be leasing 100,000 sq ft at the Silver Fin in Aberdeen City Centre, a short walk from Talisman House.

With the price of oil currently sitting at c. $85 per barrel, sentiment within the industry remains positive.

Oil Price - USD per barrel



Green Energy Market

Whilst the Aberdeen office market has historically been intrinsically linked with the oil and gas sector and will continue to be going forward, the green energy market is expected to make headways into this sector in the future.

Aberdeen is now seen as a focal point for energy transition and in particular the development of renewable energy. There are live requirements within the city for occupiers looking to establish renewable energy teams driven by a skilled workforce and the fact that Aberdeen already faces the North Sea where they are bidding for the Offshore Wind Licenses being tendered by the Crown Estate.

In addition to Windfarms, there is also massive investment in Hydrogen and Carbon Capture in the North East of Scotland with the city of Aberdeen being touted as the first "Hydrogen City" in Europe. The proposed green hydrogen plant in Flotta, Orkney (operated by Repsol Sinopec) is one of the most recent examples of oil companies diversifying into green energy.

Carbon Capture is going to be significant with the current infrastructure in the North Sea and St Fergus giving a unique position to capture the Carbon (which will be shipped in from all over the world) in North Sea oil fields.

Aberdeen Investment Market

With the general consensus that Aberdeen's economy had stabilised after the downturn experienced in 2015-2017 there was a notable improvement in sentiment amongst investors prior to the COVID-19 Pandemic taking hold in early 2020. With life returning to the 'new normal,' and occupiers encouraging their staff to return to the office, it is anticipated that investor volumes will return in due course.

The table below outlines the notable office investment transactions in excess of £10m.

Property	Price	NIY	Date
Prime View, Prime Four, Kingswells	£44.00m	7.23%	On Market
16 North Esplanade, West Aberdeen	£13.60m	9.37%	May 2021
TechnipFMC, Westhill	£22.40m	6.70%	July 2019
Atmosphere 1, Westhill	£13.375m	8.68%	February 2019
AB1, Huntly Street	£13.45m	7.85%	January 2019
Thermopylae House & Teekay House, Westhill	£13.30m	7.58%	July 2018
Aker UK Campus	£112.50m	6.92%	March 2018
Statoil, Prime Four, Kingswells	£18.70m	6.14%	January 2018

EPC

The property has an EPC rating of C (45). Further information can be provided upon request.

Data Room

Further information can be found within a sale data room with access being available upon request.

VAT

The property is elected for VAT. VAT will be payable on the purchase price; however, it is anticipated that a sale will be enacted by way of a Transfer of a Going Concern (TOGC).

Offers are sought in the region of **£19.50m** exclusive of VAT for the Heritable Interest, which reflects a **Net Initial Yield of 11.77%** after purchaser's costs based on LBTT. A purchase at this level equates to a **capital value rate of £202 psf.**

Further Information

Whilst viewing is strongly recommended, a video tour of the property can also been seen in the hyperlink below:

Play Video

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