

Lenders of collapsed Newcastle student landlord unlikely to recoup £11.7m, documents reveal

Insolvency specialists handling the affairs of a failed Newcastle student accommodation landlord say the firm's lender is unlikely to recover £11.7m owed to it, in full.

The administration of three companies within the Bricks Capital Group, which were behind the city's Glassworks block, has been extended for another year as staff at Interpath continue to investigate assets and debt. Newcastle Glassworks Limited, Newcastle Glassworks Management Limited and Bricks K5 Capital Ltd – which developed and managed the 270-bed Glassworks property in Ouseburn – all entered administration in July 2022 following unpaid debt owed to a Hong Kong lender CIMC Financial Leasing, which also owns a company that provided the prefabricated shipping containers used in its construction

The property – which had been valued at £7m in 2022 but which was not generating sufficient earnings to meet interest payments – was subsequently acquired by CIMC in a pre-pack deal. That followed an offer from Bricks Capital Group to make a final settlement of £10.5m but which was rejected by the Chinese lender which had not received any capital or interest payments on the debt for several years.

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CIMC ultimately paid £1.5m cash for the building along with a £9.2m “credit bid” using the debt it was owed. The move saved eight jobs at Newcastle Glassworks Management Limited, which were transferred to the new owners.

The administration of the three businesses will now be extended until late July 2025, with Interpath saying a partial dividend to CIMC is expected, though not the £11.7m debt in full. Parties connected to the lender are also said to have £17.4m of debt secured against the property, though Interpath said it is unlikely they will see dividends.

The underperformance of the Glassworks block had been blamed on an oversupply of student accommodation in Newcastle, with Interpath having issued a report in 2022 which said: Newcastle is home to two universities, Newcastle University and Northumbria University, which together accommodate c. 55,000 students. Pre-pandemic, both UK and international student numbers were on a gentle ascent, which has been the case by-and-large over the last two decades.

“Developers and investors capitalised on the large number of students and the reputation of the city resulting in a significant and rapid increase in supply. Some reports suggest that, by 2017, Newcastle had the highest rate of student housing in the entire country, with one in every 15 homes being a student property, some 10 times higher than the national average for local authorities in the UK.

“Given the high level of supply, the group experienced significant downwards pressure on rents to attract tenants, particularly given the property’s peripheral location and relative lack of amenities.”