

LONDON ROAD RETAIL PARK

NEWBURY, RG14 2BP

SOUTH EAST SUPERMARKET ANCHORED RETAIL WAREHOUSE PARK FOR SALE
SIGNIFICANT ASSET MANAGEMENT AND DEVELOPMENT OPPORTUNITIES





INVESTMENT SUMMARY

- Newbury is a strong South East commuter town.
- Newbury has an exceptionally affluent catchment population ranked seventh by PMA's UK Affluence Indicator.
- Open A1 planning consent, including food in part.
- Modern retail warehouse park which is let to Tesco, B&Q, Dunelm, Carpetright and Poundstretcher.
- 69% of the income is secured against Tesco Stores Ltd and B&Q Plc.
- Tesco income is subject to upward-only reviews linked to RPI capped at 3.5% pac.
- Freehold.

- Significant opportunities to enhance value in the short term.
- Value underpinned by potential alternative uses in the long term.
- Our client is seeking offers in excess of **£28,060,000 (TWENTY EIGHT MILLION AND SIXTY THOUSAND POUNDS)**, subject to contract and exclusive of VAT, for their freehold interest in the property. A purchase at this level would show an **attractive initial yield of 7.27%** net of purchaser's costs of 6.8%.

This price can be broken down for the various elements of income as follows;

- Tesco Supermarket; **£14.64 million 5.75% IY** off a topped-up income of £900,000 pa.
- Retail Warehouses; **£13.17 million 9% IY.**
- Redevelopment site; **£250,000.**

LOCATION

Newbury is a strong commuter town located in the South East of England in the county of West Berkshire. It is located in the Thames Valley 60 miles west of Central London, 20 miles west of Reading, 26 miles south of Oxford and 16 miles north of Basingstoke.

The town benefits from excellent communications.

By road: The town is connected to the M4 (4 miles north) and M3 (12 miles south) motorways by the A339 and the A4 London Road runs east/west through the town.

By rail: Newbury is a 40 minute journey to London Paddington station. It is also connected to the national railway network via Reading station to which there are also regular local services.

By air: Heathrow and Southampton airports are 40 miles from Newbury and both are easily accessible by road.

Newbury is also famous for its racecourse.



SITUATION

London Road Retail Park is situated on a very prominent site on the southern side of the A4 London Road approximately half a mile west of its junction with the A339 and the town centre.

Immediately opposite the scheme on the northern side of London Road is a BP petrol filling station and an M&S Simply Food unit. These units are surrounded by Newbury Business Park which is a large office development.

Further retail warehousing and car showroom units are located to the west of the property.

DEMOGRAPHICS

Newbury has a captive, relatively young and extremely affluent population.

Oxford Research Consultants calculate that there are 76,274 people within a 15-minute drive of London Road Retail Park. Newbury is also located within the District of West Berkshire which has a population of 156,000. This is forecast to rise to 166,355 by 2036.

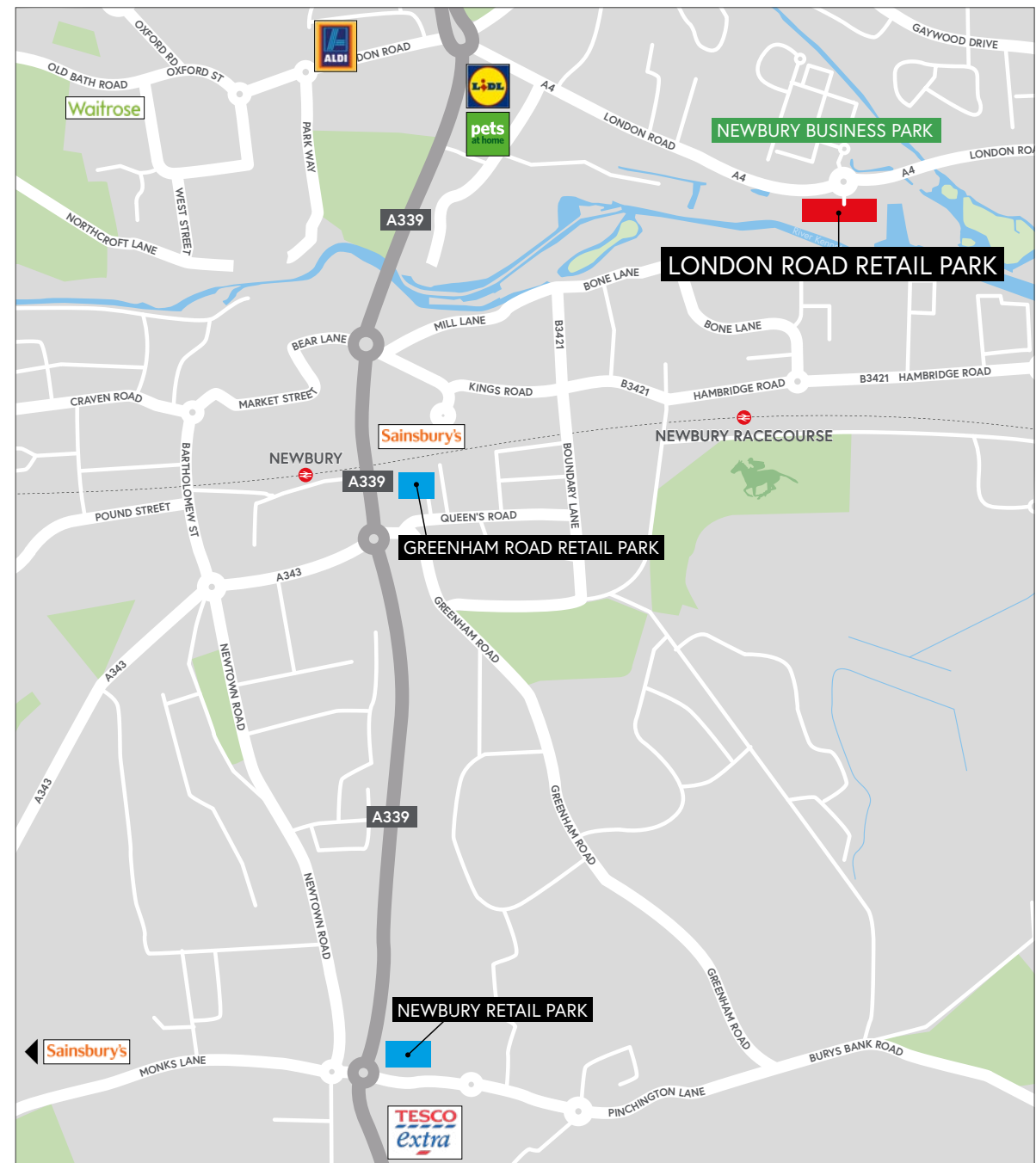
According to PROMIS, Newbury's catchment population is ranked 7th in terms of their Affluence Indicator. This is confirmed by the fact that the number of people in the highest Social Grade AB within a 15-minute drive of London Road Retail Park is 44% higher than the Great Britain average.

Levels of home and car ownership within a 15-minute drive of London Road Retail Park are significantly higher than the Great Britain average.

The proportion of the population that is economically active within a 15-minute drive of London Road Retail Park is also significantly higher than the Great Britain average.

The 15-minute drive time population has a total annual spend on comparison goods of £294 million. This annual spend is very significantly overweight in every category of goods. The minimum over-spend is 10% above average for Sports and Camping Equipment and 90% above average for Leisure Activities and overall is 22% above average.

NEWBURY FOOD STORE PROVISION



DESCRIPTION

London Road Retail Park is an attractive purpose-built retail warehouse park originally developed by Chartwell Land Plc. As currently developed it comprises three distinct elements;

- At the western end of the site is a 34,302 sq ft Tesco supermarket and a 5,975 sq ft retail warehouse unit let to Poundstretcher who are currently trading as Bargain Buys. These units are accessed from both directions off London Road. Car parking is regularly laid out to the front of these units and both have dedicated secure service yards. This has a site area of 3.1 acres.
- At the eastern end of the site are three further retail warehouse units. B&Q occupy a solus unit of 36,936 sq ft which has an external garden centre. Dunelm and Carpetright occupy units of 24,311 sq ft and 10,635 sq ft respectively which are laid out as a two-unit terrace opposite the B&Q. The Dunelm unit has a $\frac{3}{4}$ cover mezzanine floor installed which has consent for retail sales. All of these units can be accessed from both directions of London Road from a roundabout junction which also connects with Newbury Business Park. Car parking is regularly laid out to the front of these units and all are serviced from dedicated yards. This has a site area of 5.95 acres.
- In the middle of the site, in between the two retail warehouse elements is a public house of 5,398 sq ft, which is closed. This site offers a redevelopment opportunity subject to the relevant planning consents being achieved. This has a site area of 0.75 acres.

The existing retail warehousing and supermarket units, which total 112,159 sq ft, have customer parking for 419 cars showing a good overall ratio of 1:268 sq ft.

A new cycle path has been built along London Road to the bell-mouth of the Tesco access road and past the B&Q unit. A section along the centre of the property has not been constructed as the Local Authority require a small parcel of land from the current freehold ownership to be transferred to them in order for them to be able to do so. This does not materially affect the value of the site. A transfer of a small parcel of land along the site boundary could be agreed with the Local Authority as part of any successful application to redevelop the former pub site.

SITE

The overall site comprises an area of 9.8 acres (3.97 hectares).



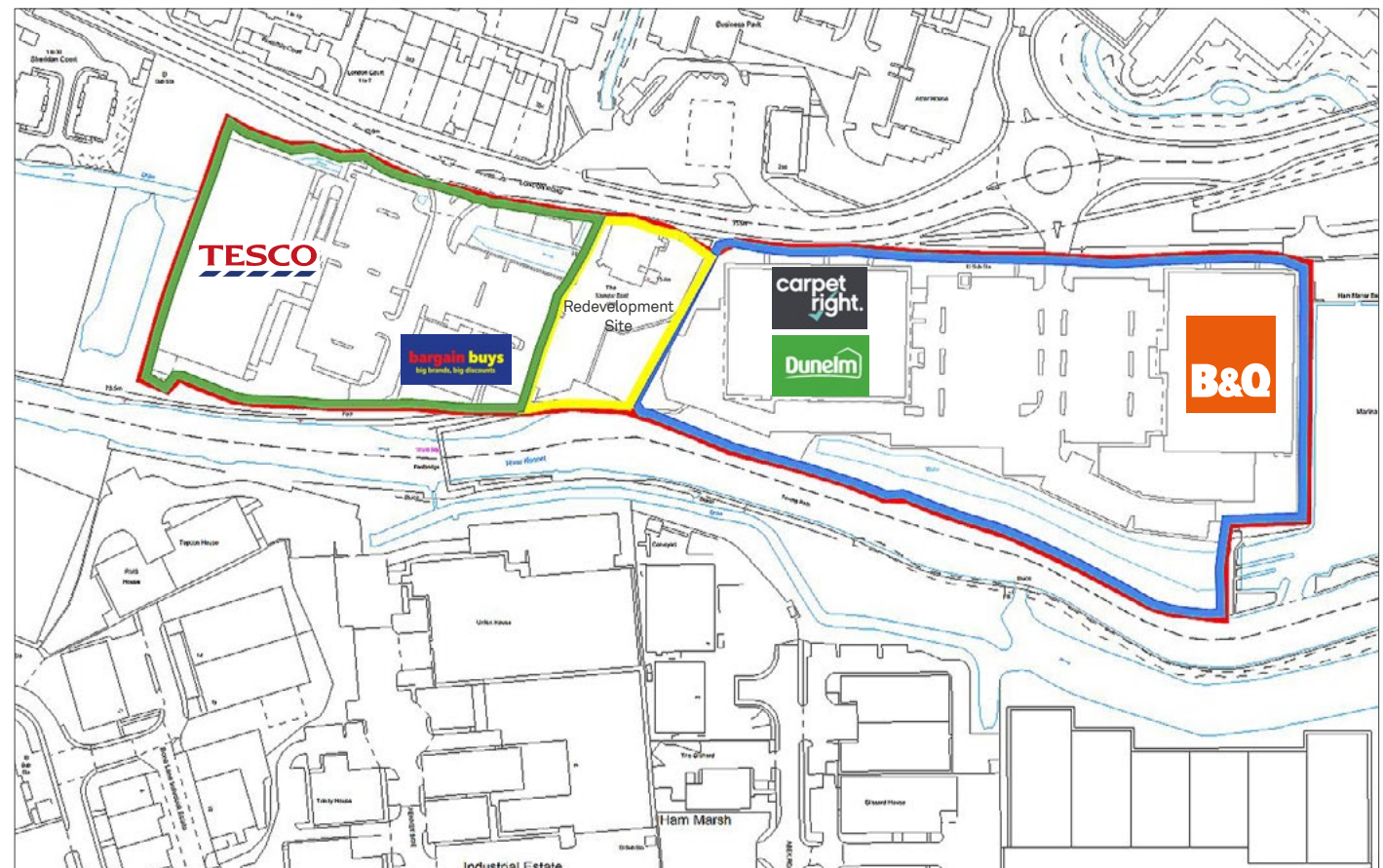
Retail Warehouses



Tesco and Bargain Buys



Redevelopment Site





TENANCIES

The property currently produces an income of £2,178,374 per annum (subject to a 6 month vendor top-up of the supermarket income) and is let in accordance with the tenancy schedule below;

Unit	Area (Sq Ft)	Tenant	Rent (£ PA)	Rent (£ PSF)	Least Start	Next Rent Review	Lease Expiry	Break Option	Comment
Supermarket	34,302	Tesco Stores Ltd	£900,000	£26.24	25/12/2009	25/12/2019	24/12/2034	n/a	Rent Review: 5-Yearly in line with RPI, capped at 3.5% pac. Based on current RPI projections we estimate the rent to be going to c.£900,000 at the RR in December 2019. Lease includes the right for Tesco customers to park in the Poundstretcher carpark. Vendor to top-up the rent to the Dec 19 review.
Unit 1	36,936	B&Q Plc	£611,736	£16.56	11/06/2012	n/a	10/06/2022	n/a	Rent paid monthly
Unit 2 A/B	24,311	Dunelm (Soft Furnishings) Limited	£360,000	£15.00	10/10/2011	10/10/2021	09/10/2026	n/a	Rent Review: To the lower of OMRV or passing rent multiplied by 1.13141. Rent Review: Upwards / Downwards. S/C cap: £19,200pa until 09-Oct-16, increasing thereafter annually in line with RPI. Area at review is 24000 Sq Ft.
Unit 2C	10,635	Carpetrigh Plc	£184,623	£17.36	30/11/2013	n/a	29/11/2023	n/a	Rent paid monthly
Burger Van	0	Catherin Freemantle t/a Alfresco Cuisine	£12,500	N/A	14/11/2015	n/a	13/11/2020	Mutual	Rent paid monthly Break Option: Rolling, subject to provision of 3 months' notice
Unit 5	5,975	Poundstretcher Ltd	£109,515	£18.33	30/11/1998	-	29/11/2018	n/a	Tenant holding over. Refitted and trading as Bargain Buys. Lease includes rights for customers to park in the Tesco carpark.
Development Site	0	Vacant	£0	N/A	-	-	-	-	Offer has been received from a tenant for a drive-thru unit.
Total	112,159		£2,178,374						

Overall the property has a current WAULT of 9 years.

The Tesco lease is reviewed five yearly upwards-only in line with RPI capped at 3.5% per annum compound. Our client will top-up the rent of the Tesco unit until the rent review due on 25th December 2019 to a rent reflecting £900,000 per annum. The lease will then have the benefit of two further RPI linked increases.

The Carpetright unit was ranked in the highest Category A in their CVA in 2018 meaning that the store trades very well for them and that they intend to continue trading from it

TENURE

Freehold.

and the level of rent remained unchanged. The only change as a consequence of the CVA was a shift to monthly rent payment.

The 2016 Dunelm rent review was documented as nil increase as was the 2018 Carpetright rent review.

Poundstretcher are currently holding over on their lease of Unit 5, however, they comprehensively refitted the store at the end of 2018 and rebranded it as Bargain Buys. They have recently confirmed their wish to take a new lease.

COVENANT

The scheme is currently let to five national multiple retailers and as such the income is well secured. Currently 69% of the income is secured against B&Q Plc and Tesco Stores Ltd. and 86% of the income is secured against covenants with a 5A1 DB rating.

Tenant	Latest Accounts	Sales Turnover (000's)	Profit/Loss Before Taxes (000's)	D&B Rating
Tesco Stores Limited	24/02/18	£41,367,000	£1,660,000	5A1
B&Q Plc	31/01/18	£3,386,000	£205,000	5A1
Dunelm (Soft Furnishings) Limited	30/06/18	£1,050,100	£91,500	5 1
Carpetright Plc	29/04/17	£443,800	(£70,500)	N4
Poundstretcher Ltd	31/03/18	£387,000	£2,000	4A1



“86% of the income is secured against 5A1 covenants”

PLANNING

The retail park benefits from an excellent flexible planning consent as follows;

- The existing retail warehouse development benefits from Open A1 retail consent, with food consent for the Tesco and Poundstretcher units.
- There is no restriction against the sub division of the existing retail warehouse units and there is unutilised consent for further mezzanine flooring.
- The Tesco supermarket and Poundstretcher benefit from an A1 retail consent which includes the sale of food.
- The development site currently has consent for use as a public house.
A pre-application advice letter from West Berkshire Council is generally supportive of the redevelopment of this site for A1, A3 and A5 Drive Thru uses, subject to planning and confirms that these uses would be in accordance with the various Development Plan Policies.

A report has been prepared by NJL Consulting summarising the current planning position of the retail park and their view of achieving a satisfactory consent for the development site.



ASSET MANAGEMENT AND REDEVELOPMENT OPPORTUNITIES

The investment offers significant opportunities to enhance value which include;

- Re-gearing the lease of Unit 1 with B&Q. B&Q trade well from this store and in 2018 achieved a board approval to regear their lease, however, a regear was not concluded at that time.
- A competitive offer has been received for the development of a drive-thru fast food unit on the former pub site. Achieve a consent to allow the development, complete a pre-letting and then develop out the site to generate a significant profit.
- As part of a redevelopment of the pub site it could be possible, subject to achieving the relevant consents, to connect all elements of the park to both enhance flow through the scheme and improve tenant trading.
- Achieve a lease renewal with Poundstretcher for Unit 5.
- Alternatively, an offer has been received from a gym operator for Unit 5 at a significantly higher rent than that currently passing. Achieve a planning consent for a change of use to D2 and complete this letting.
- In the longer term the scheme's value is underpinned by it's potential for alternative use which in our opinion include conversion to residential, care home, hotel and leisure. For example, an office on Newbury Business Park is currently the subject of a conversion to residential use under Permitted Development rights.

PURCHASE PRICE

Our client is seeking offers in excess of **£28,060,000 (TWENTY EIGHT MILLION AND SIXTY THOUSAND POUNDS)**, subject to contract and exclusive of VAT, for their freehold interest in the property. A purchase at this level would show an **attractive initial yield of 7.27%** net of purchaser's costs of 6.8%.

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FURTHER INFORMATION

Should you require any further information on the property, access to the data site or wish to arrange an inspection, please do not hesitate to contact:

Hamish Whiteman
hamish@stauntonwhiteman.co.uk

Nick Staunton
nick@stauntonwhiteman.co.uk

Staunton Whiteman LLP
9-10 Savile Row
London
W1S 3PF

020 7287 2228



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Brochure by: Adrian Gates Design 07710 316 991