



**MORRISONS
FOODSTORE
HARROW HA1 4HX**

LONG LET WEST LONDON
FOODSTORE INVESTMENT
WITH FIXED UPLIFTS



MORRISONS



Free Car Parking
Butchers
Fishmongers
Bakery
Flower Shop
Cafe



WELCOME TO MORRISONS



INVESTMENT SUMMARY

- Modern, purpose built, West London foodstore investment.
- Harrow is located midway between London's West End and the M25, in a densely populated and affluent London borough.
- Trident Point is located immediately to the west of Harrow town centre at the roundabout junction of the A404 and A312.
- Foodstore of 65,605 sq ft with 212 customer car parking spaces and 146 flats above (sold off on a long lease).
- Let to Morrisons for a further 22½ years at a passing rent of £1,476,112 pa (£22.50 psf), which the vendor will top up to £1,670,085 pa, this being the level of the minimum uplift at the first rent review.
- The Morrisons lease provides for a 2.5% p.a. minimum/fixed uplifts at 5 yearly intervals. The first rent review on 5th February 2018 is to the greater of OMV or 2.5% per annum (compound) uplift. The subsequent rent reviews are fixed at 2.5% per annum (compound).
- Morrisons is one of the 'big four' UK supermarkets with a market share of 10.7% and over 500 stores throughout the UK.
- The property is let to Wm Morrison Supermarkets PLC who have the highest Dun & Bradstreet rating of 5A 1, representing a 'Minimum' risk of business failure.
- Our clients are seeking offers in excess of **£30.067 million** for the benefit of their freehold interest in the property. Our clients will top up the rent to the level of the minimum increase at the 5th February 2018 review date so that the property shows the following minimum yield profile, after allowing for purchaser's costs of 5.8%:

| | |
|-------------------|-------|
| Initial yield | 5.25% |
| 5th February 2023 | 5.94% |
| 5th February 2028 | 6.72% |
| 5th February 2033 | 7.60% |

HARROW IS LOCATED 8 MILES NORTH
WEST OF CENTRAL LONDON, MIDWAY
BETWEEN THE WEST END AND THE M25.



University of Westminster

Harrow - on - the - Hill

St Georges Shopping Centre

St Anns Shopping Centre





City of London

Wembley Stadium

West End

Harrow School

LOCATION

Harrow is located 8 miles north west of Central London, approximately midway between the West End and the M25.

Harrow is perhaps best known for its world famous independent boys school which was founded by Elizabeth I in 1572. Notable alumni have included seven former British Prime Ministers, the first Prime Minister of India (Nehru)

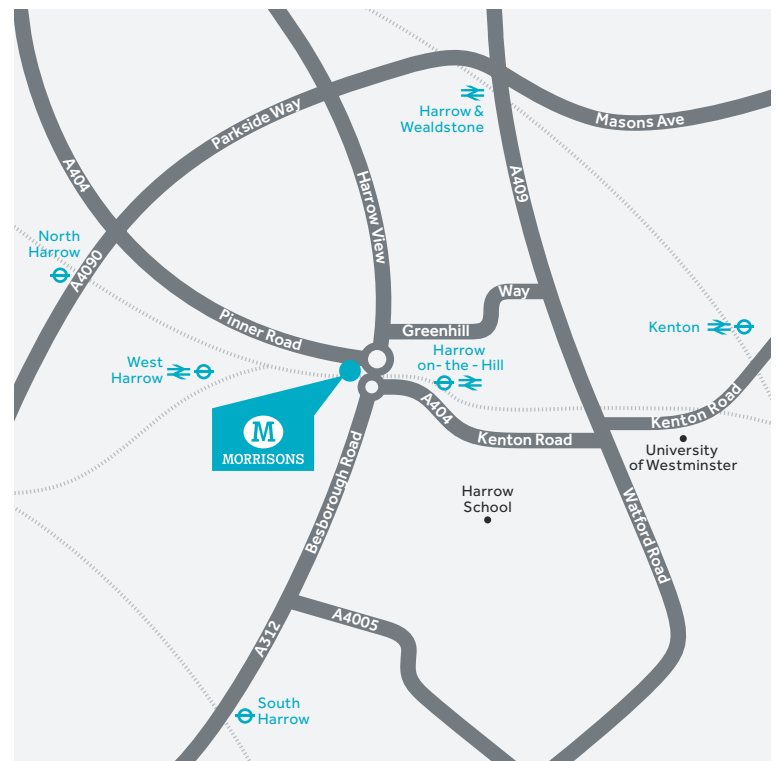
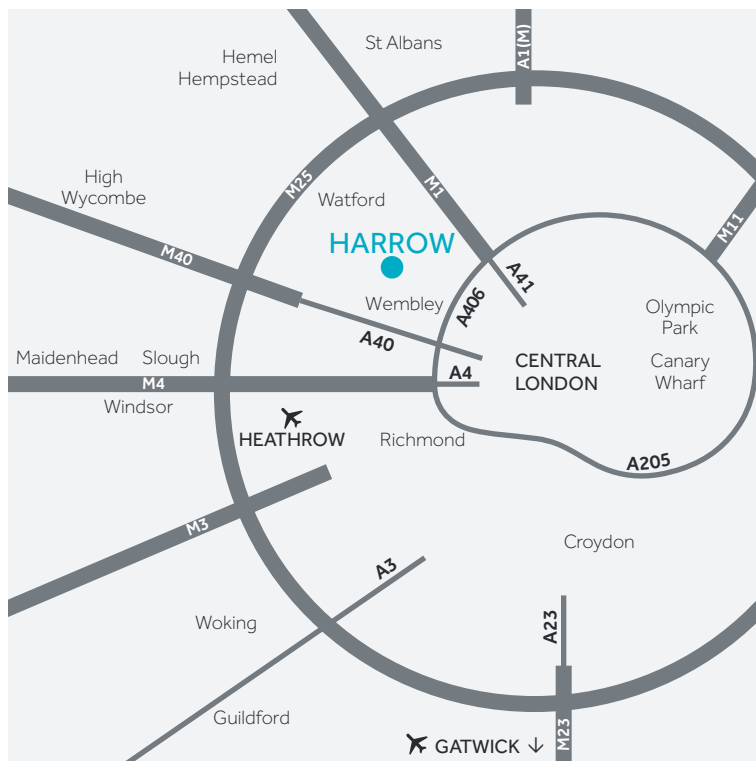
and numerous members of the Middle Eastern, Indian, Malaysian and Thai royal families.

Harrow has excellent links into Central London with three National Rail and four London Underground stations, the fastest journey time being just 14 minutes to London Euston.

Road connections are also strong with the Borough of Harrow being located between the M25 and M1 motorways, the North Circular and the A40.

Heathrow Airport is located 7 miles south of Harrow. Heathrow is Europe's busiest passenger airport and the World's third busiest, with 73.4 million passengers travelling through it in 2014.

In July 2015 the independent Airports Commission unanimously concluded that a new runway at Heathrow presented the strongest case for delivering the additional capacity required to maintain London's status as a global hub for aviation.



DEMOGRAPHICS

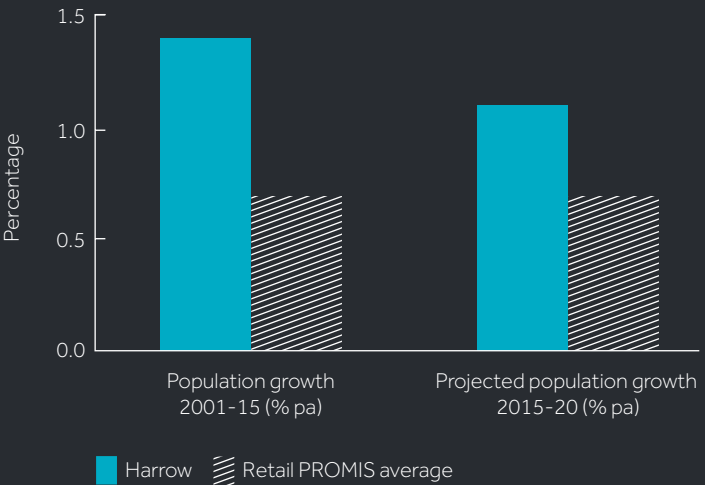
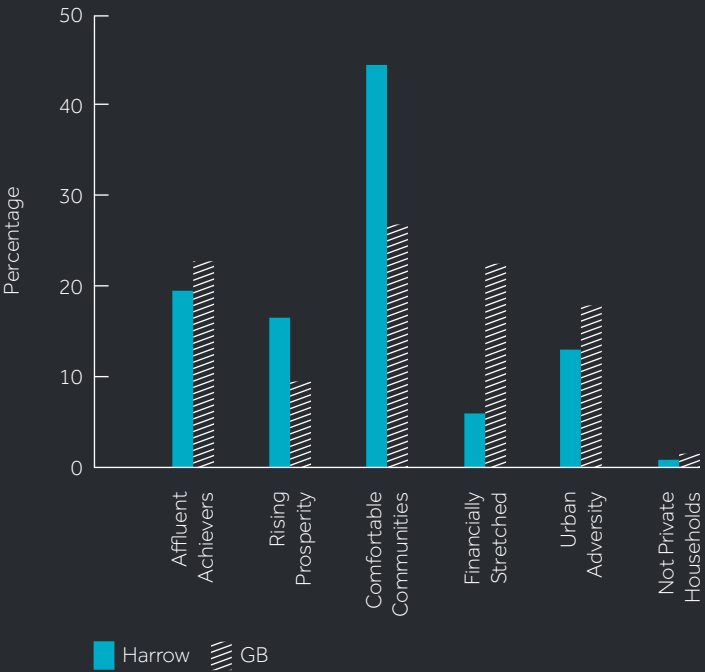
The London Borough of Harrow has a large and affluent population. Some 243,400 people live within the borough itself and Harrow has a primary catchment of 481,000, ranking it 45th of the 200 PROMIS Centres.

From 2001 – 2015, Harrow had the 4th highest catchment population growth of the PROMIS Centres. Furthermore, PROMIS report that 'Harrow is projected to see significantly above average growth in population over the period 2015 – 2020'.

The subject property is situated in a very densely populated area with some 73,162 people living within a 5 minute drivetime of the foodstore and 295,628 people within a 10 minute drivetime.

Being a West London borough with excellent links into the West End/City, Harrow has a very affluent population. As outlined in the table below, there is a large over-representation in the top three Acorn Categories, 'Affluent Achievers', 'Rising Prosperity' and 'Comfortable Communities' (Harrow 80.6%, Great Britain 58.8%). Conversely, Harrow has less than half the GB average in the lowest three Acorn Categories, 'Financially Stretched', 'Urban Adversity' and 'Not Private Households'.

| DRIVETIME | POPULATION |
|------------|------------|
| 5 minutes | 73,162 |
| 10 minutes | 295,628 |
| 15 minutes | 627,543 |



| ACORN CATEGORY PROFILE | HARROW | GB | ACORN GROUP PROFILE | HARROW | GB |
|----------------------------|--------|-------|----------------------------|--------|-------|
| 1. Affluent Achievers | 19.5% | 22.7% | A. Lavish Lifestyles | 2.2% | 1.3% |
| | | | B. Executive Wealth | 15.1% | 12.4% |
| | | | C. Mature Money | 2.2% | 9.0% |
| 2. Rising Prosperity | 16.6% | 9.4% | D. City Sophisticates | 3.0% | 3.3% |
| | | | E. Career Climbers | 13.6% | 6.1% |
| 3. Comfortable Communities | 44.5% | 26.7% | F. Countryside Communities | 0.0% | 5.7% |
| | | | G. Successful Suburbs | 32.8% | 6.1% |
| | | | H. Steady Neighbourhoods | 10.7% | 8.2% |
| | | | I. Comfortable Seniors | 0.3% | 2.6% |
| | | | J. Starting Out | 0.7% | 4.0% |
| 4. Financially Stretched | 6.0% | 22.4% | K. Student Life | 3.6% | 2.5% |
| | | | L. Modest Means | 1.3% | 7.5% |
| | | | M. Striving Families | 0.6% | 7.9% |
| | | | N. Poorer Pensioners | 0.6% | 4.5% |
| 5. Urban Adversity | 12.9% | 17.9% | O. Young Hardship | 0.8% | 5.2% |
| | | | P. Struggling Estates | 10.9% | 7.9% |
| | | | Q. Difficult Circumstances | 1.3% | 4.8% |
| 6. Not Private Households | 0.5% | 0.9% | R. Not Private Households | 0.5% | 0.9% |

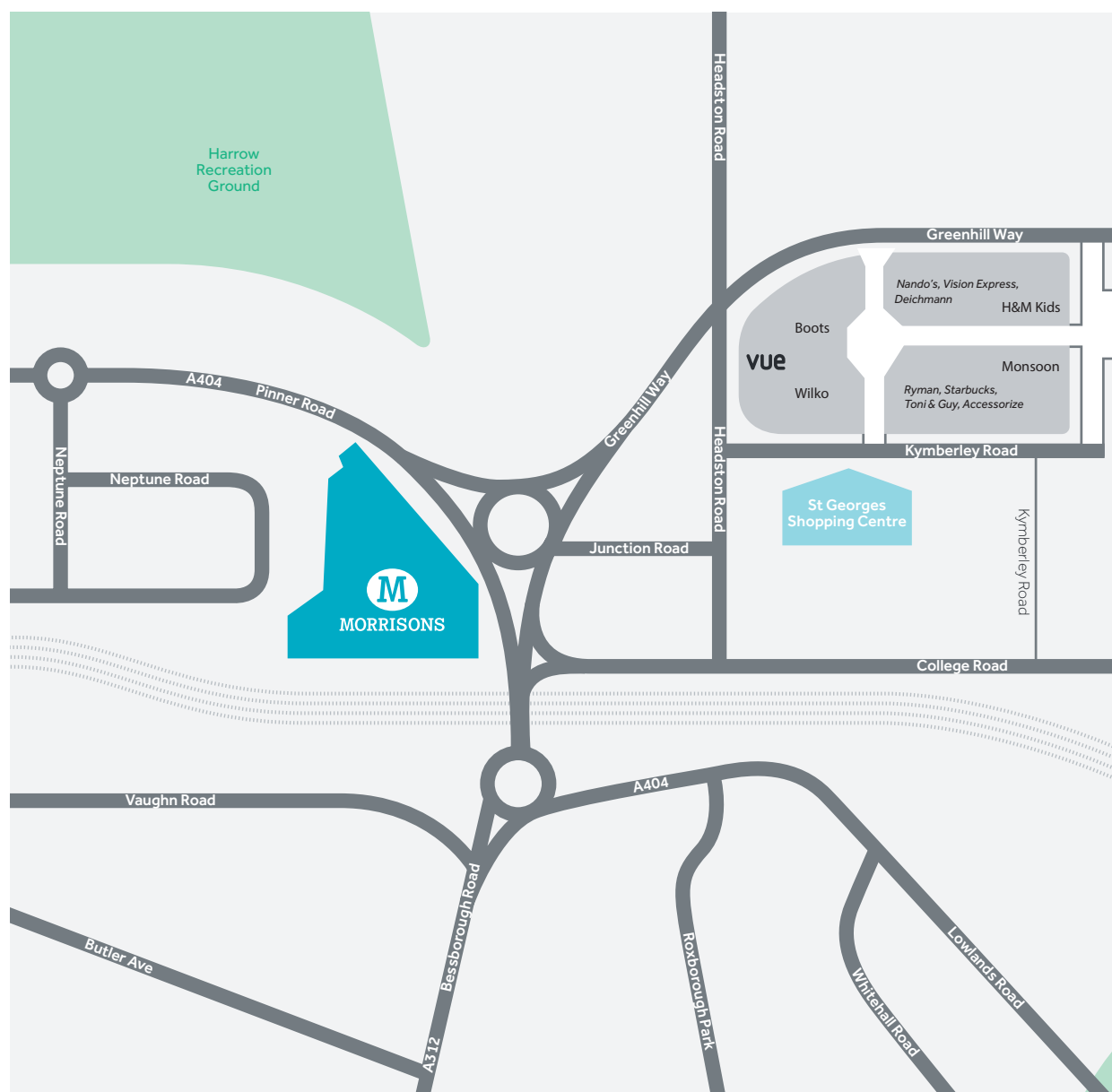
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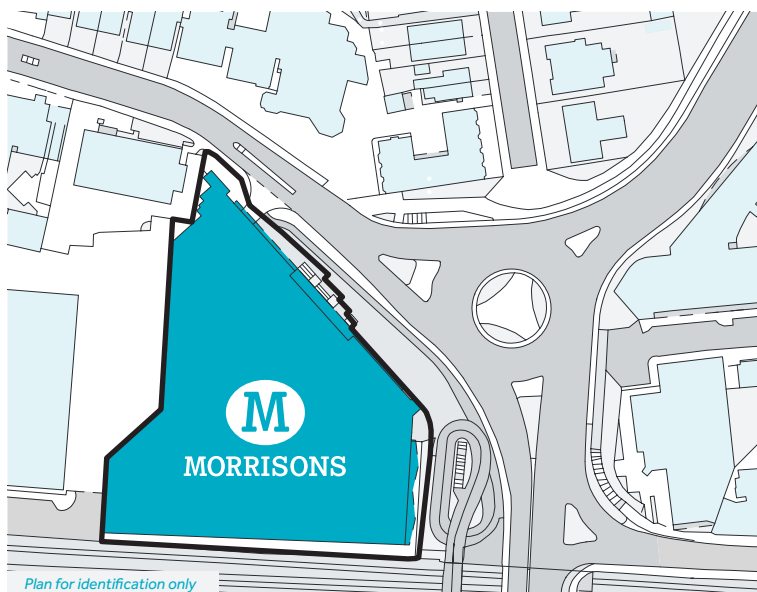
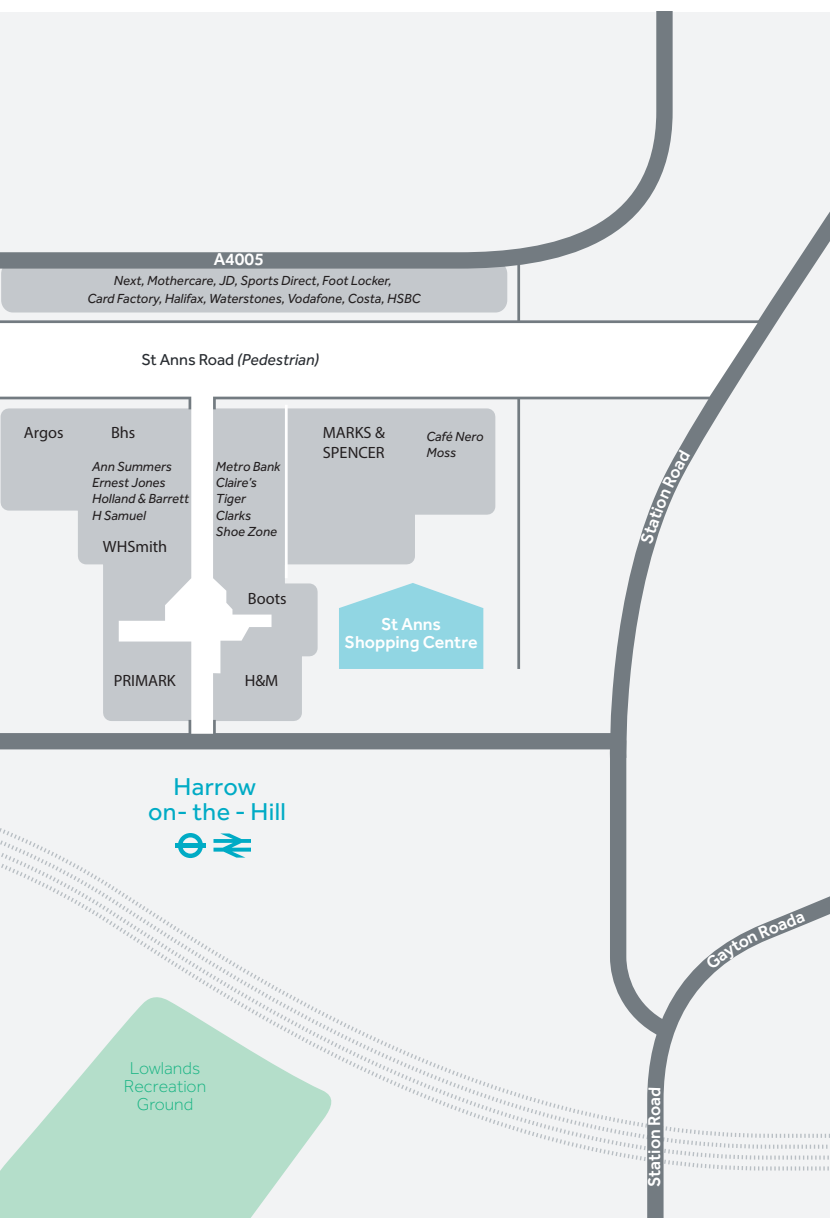
SITUATION

Trident Point is situated in a highly prominent position at the roundabout junction of the A404 Pinner Road and the A312 Bessborough Road, immediately to the west of the town centre. St Georges Shopping Centre is just 200 yards from the subject property and links into the town's pedestrianised precinct and St Anns Shopping Centre.

Vehicular access to the foodstore is directly from Pinner Road, with separate access for the residential car park to the rear via Neptune Road.

Pedestrian access from the town centre is via a footpath beneath the elevated section of Pinner Road.





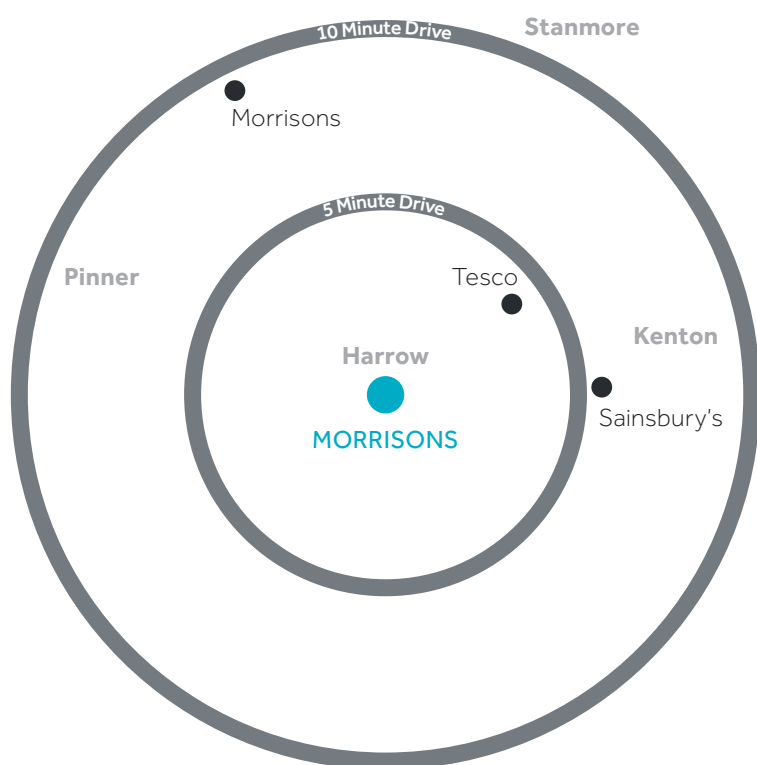
SURROUNDING FOODSTORE PROVISION

Harrow is notably under-supplied with foodstores, the only major provision being the subject premises and the 62,183 sq ft Tesco at Station Road. Indeed the Tesco at Station Road is the only other of the 'big four' supermarkets within a 5 minute drivetime of the subject premises.

Furthermore, there are only two other foodstores of greater than 30,000 sq ft within a 10 minute drivetime of the subject premises.

This lack of competition is very rare for a foodstore in such a densely populated and affluent London location.

| STORE | ADDRESS | DRIVETIME | SIZE |
|-------------|-----------------------------------|-----------|--------------|
| Tesco | Station Road, Harrow, HA1 2TU | 4 mins | 62,183 sq ft |
| Sainsbury's | Nash Way, Kenton, HA3 0JA | 6 mins | 64,755 sq ft |
| Morrisons | Uxbridge Road, Hatch End, HA5 4QT | 10 mins | 56,182 sq ft |



DESCRIPTION

The subject property comprises a virtually new purpose built Morrisons foodstore with six levels of flats above (the flats having been sold off on a single long lease).

Trident Point was completed in 2013 and is of an imposing and eye catching design, incorporating a number of highly attractive modern finishes, most notably the heavily glazed and timber clad frontage to the foodstore.

The Morrisons' demise totals 65,605 sq ft and includes a double height café at lower level, leading out to the pedestrian walkway into the town centre. The upper level comprises a bright and airy foodstore with excellent natural light resulting from the predominately glazed Pinner Road frontage.

The customer car park is accessed from Pinner Road and provides 212 spaces

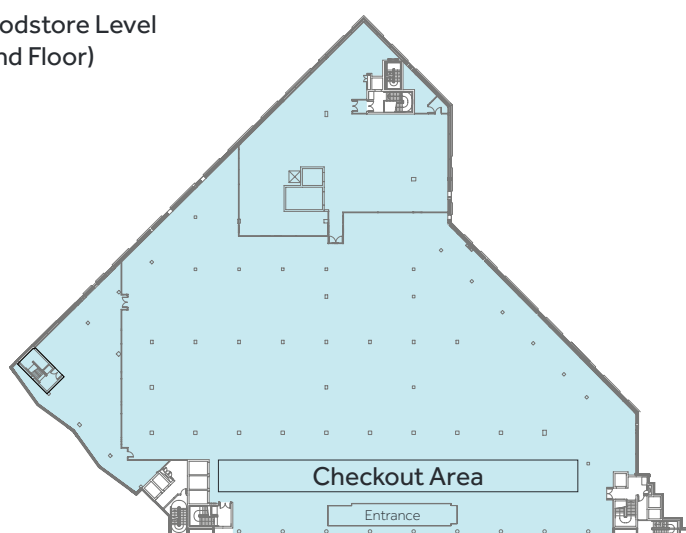
for Morrisons' customers on two levels, with travelators, lifts and stairs connecting the different levels.

The residential upper parts have been built in a 'T' shape providing 146 flats on six levels, focused upon the two large rooftop gardens. A separate 75 space car park is provided at basement level for the flats, with its own dedicated access from Neptune Road to the rear.

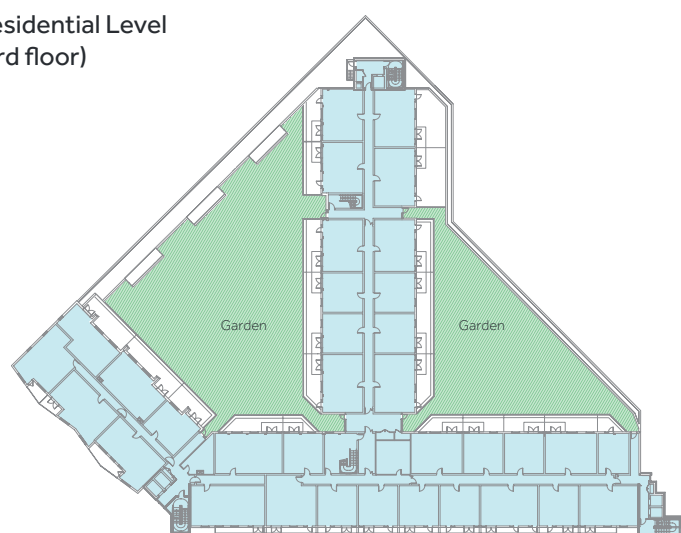
The building has achieved a 'Very Good' BREEAM rating.

The foodstore has an excellent EPC rating of A (21). A copy of the EPC report is available upon request.

**Foodstore Level
(2nd Floor)**



**Residential Level
(3rd floor)**





PLANNING

The subject property was granted planning permission on 11th June 2009 for foodstore, café and residential use; with associated access, car parking and servicing. A copy of the planning permission is available upon request.

TENURE

Our client owns the freehold interest in the subject property.

The residential upper parts have been sold off on a 250 year long lease at a peppercorn rent, as set out overleaf.



TENANCIES

The foodstore has been let to Wm Morrison Supermarkets PLC on a full repairing and insuring basis for a term of 25 years without break from 5th February 2013. There are thus some 22½ years remaining unexpired.

The lease provides for five yearly upward only rent reviews. The first rent review dated 5th February 2018 is to the greater of the Open Market Value or a 2.5% pa compound uplift. Thereafter, the rent reviews provide for 2.5% pa compound fixed increases throughout the term.

The entirety of the residential upper parts were let to Neptune Point Developments Ltd, guaranteed by Galliard Homes Ltd, for a term of 250 years from 19th August 2010 at a fixed peppercorn rent. On the 16th of December 2013, this lease was assigned to Avon Ground Rents Ltd.

| DESCRIPTION | TENANT | SIZE | RENT | LEASE TERMS |
|--------------|------------------------------|--------------|--------------------------------|---|
| Foodstore | Wm Morrison Supermarkets PLC | 65,605 sq ft | £1,476,112 pa* (£22.50 psf) | 25 years from 5th February 2013. 5 yearly rent reviews. First review to the greater of OMV or 2.5% pa compound growth. Subsequent reviews fixed at 2.5% pa compound growth. |
| | Vendor Top Up | – | £193,973 pa* | *Vendor to top up the rent to the level of the minimum 2.5% pa uplift at the first rent review on 5th February 2018. |
| Residential | Avon Ground Rents Ltd** | 146 units | Peppercorn | 250 year lease from 19th August 2010. Fixed peppercorn rent. **Lease assigned from Neptune Point Developments Ltd (guaranteed by Galliard Homes Ltd). |
| TOTAL | | | £1,670,085 pa | |

RENTAL LEVEL

The subject foodstore was pre-let to Morrisons by virtue of an Agreement for Lease dated 1st October 2009. A rent of £22.50 psf was agreed, in addition to which Morrisons paid the landlord a premium of £2 million upon completion of the store.

This rent will rise to a minimum of £25.46 psf with effect from the 5th February 2018 rent review (and as set out above our clients will top up the rent until the review date).

We consider these rents to be modest for a modern London foodstore in an affluent location, as shown by the following transactions:

| RETAILER/LOCATION | AREA (SQ FT) | RENT (PSF) | TRANSACTION | DATE | COMMENT |
|------------------------|--------------|------------|-------------|--------|--|
| Tesco, TAPLOW | 54,625 | £25.00* | OML | Dec-14 | *£25.00 psf plus £4.6m premium. |
| Sainsbury's, ISLINGTON | 67,426 | £35.00 | Rent Review | Mar-14 | Third party award. |
| Morrisons, CRAWLEY | 75,240 | £26.60 | OML | Nov-13 | Agreement for lease. Undercroft car parking. |
| Waitrose, COULSDON | 50,000 | £26.00 | OML | Aug-13 | Store on stilts. Undercroft car park. |
| Asda, RUISLIP | 80,000 | £26.00 | OML | Mar-13 | Agreement for lease. |
| Morrisons, COLINDALE | 81,336 | £26.60 | OML | Apr-12 | Agreement for lease. |
| Sainsbury's, CROYDON | 91,000 | £29.00 | Rent Review | Mar-12 | - |

TENANTS' COVENANTS

Morrisons

Morrisons are one of the 'big four' UK supermarkets with a market share of 10.7% (Kantar Worldpanel). Morrisons have more than 500 stores across the UK, serving 11 million customers each week.

Under the new chief executive, David Potts, Morrisons will focus upon its core supermarkets and has agreed to sell 140 Morrisons Local convenience stores to a consortium led by Mike Greene and Greycap Capital.

In addition Morrisons has recently announced the closure of 11 underperforming supermarkets as part of its restructuring plan.

The subject foodstore is let to Wm Morrison Supermarkets PLC which has the highest Dun & Bradstreet rating of 5A 1 and a 'Minimum' risk of business failure. A summary of the company's latest financial results is shown in the table below:

Residential Tenant

The residential upper floors were let to Neptune Point Developments Ltd, guaranteed by their parent company Galliard Homes Ltd, for a term of 250 years from 19th August 2010 at a peppercorn rent.

Galliard Homes is a London residential property developer that was formed in 1990 and currently has over 4,000 homes under construction.

On 16th December 2013 the lease was assigned to Avon Ground Rents Ltd, who have a Dun & Bradstreet rating of 1A 2.



| TENANT | D&B RATING | LAST ACCOUNTS | TURNOVER (£000'S) | PRE-TAX PROFITS (£000'S) | NET WORTH (£000'S) |
|------------------------------|------------|---------------|-------------------|--------------------------|--------------------|
| Wm Morrison Supermarkets PLC | 5A 1 | 01/02/2015 | 16,816,000 | (792,000) | 3,074,000 |
| | | 02/02/2014 | 17,680,000 | (176,000) | 4,234,000 |
| | | 03/02/2013 | 18,116,000 | 879,000 | 4,815,000 |

LONDON FOODSTORE INVESTMENT MARKET

Long let London foodstores are a sought after asset class with few such investments being available. Accordingly, when such properties do come to

the market they achieve strong prices, as illustrated by the transactions shown in the table below:

| RETAILER/LOCATION | AREA (SQ FT) | RENT (PSF) | YIELD | DATE | CAPITAL VALUE | COMMENTS |
|---------------------------|--------------|------------|-------------------|--------|---------------|---|
| Sainsbury's, BARKING | 93,388 | £20.00 | Guide 4.5 - 4.75% | Sep-15 | £39m | Development funding. New 25 year lease with 5 yearly RPI reviews (1% - 4% pac). |
| Tesco, ENFIELD | 94,420 | £31.00 | 4.75% | May-15 | c. £54m | Former sale & leaseback. 21 years unexpired. Annual RPI reviews 0 - 5% pa. Acquired by IM Properties. |
| Morrisons, BOREHAMWOOD | 74,004 | £23.50 | Q. 4.11% | Aug-14 | Q £40m | 30 years unexpired. 5 yearly RPI reviews 0 - 3.5% pac. Bid at close to 4% but vendor withdrew. |
| Sainsbury's, WALLINGTON | 60,415 | £23.00 | 4.25% | Jun-14 | £35m | 20 years unexpired. 5 yearly RPI reviews 1% - 4% pac. Split level store with adjoining multi-storey car park. Acquired by Orchard Street. |
| Sainsbury's, EAST DULWICH | 89,011 | £29.00 | 3.95% | Apr-14 | £68m | 24 years unexpired. Annual RPI reviews 0 - 5%. Acquired by M&G. |
| Sainsbury's, PUTNEY | 32,556 | £25.34 | 3.70% | Feb-14 | £23.18m | Annual RPI reviews (2%-4% cap and collar). 21.5 years unexpired. Acquired by CBRE Global Investors. |
| Sainsbury's, ABBEY WOOD | 80,867 | £22.00 | 4.41% | Jan-14 | £38.1m | Funding of a new store with undercroft parking. New 25 year lease with 5 yearly RPI reviews, 1 - 4% pac. Acquired by Canada Life. |

PURCHASE PRICE

Our clients are seeking offers in excess of **£30.067 million** (thirty million and sixty seven thousand pounds) subject to contact and exclusive of VAT, for the benefit for their freehold interest in the property.

Our clients will top up the rent to the level of the minimum increase payable from the

5th February 2018 rent review (£1,670,085 pa), thus providing a purchaser with a net initial yield of 5.25%, after allowing for purchaser's costs of 5.8%.

On the basis of the 2.5% pa fixed uplifts in the Morrisons lease, a purchase at £30.067 million would show the following minimum yield profile:

| | |
|-------------------|-------|
| Initial yield | 5.25% |
| 5th February 2023 | 5.94% |
| 5th February 2028 | 6.72% |
| 5th February 2033 | 7.60% |

VAT

The property has been elected for VAT purposes and it is expected that the sale will be treated as a Transfer of a Going Concern (TOGC).

FURTHER INFORMATION

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



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**Standard Life
Investments**

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