



PRIME LONDON RETAIL WAREHOUSE INVESTMENT

GALLOWS CORNER RETAIL PARK

A12 COLCHESTER ROAD
ROMFORD RM3 0AD

**A RARE INVESTMENT
OPPORTUNITY TO ACQUIRE
AN OUTSTANDING
LONDON RETAIL PARK
WITH EXCEPTIONAL
TENANT DEMAND.**



INVESTMENT SUMMARY

- Outstanding London retail park located within the M25 at the junction of the A12 and A127. An average of 88,833 vehicles pass the property each day.
- Romford is a sub-regional centre with a primary catchment population of 626,000 and a shopping population of 341,000, ranking the town 25th of the PROMIS centres. Romford's population is forecast to grow at over twice the national average.
- Gallows Corner Retail Park is a well laid out scheme of 92,538 sq ft with substantial frontage and access to both the A12 and the A127.
- The park is let to Next, Argos, Magnet, Halfords, Furniture Village, DFS and Harveys, producing a total rent of £3,098,514 per annum (£30.85 – £38.60 psf).
- The property has a part open A1 / part wide bulky goods planning permission. The local authority have supported recent applications to widen the use.
- Since its development in 2000, the park has always enjoyed exceptional tenant demand due to its very large and affluent catchment and lack of good quality competing parks. Accordingly strong rents have been agreed with minimal incentives.
- The park has enjoyed strong, ongoing, rental growth. In 2015 the lease renewal of Halfords and the rent reviews of Furniture Village and Magnet all showed significant rental uplifts.
- Asset management opportunities exist to effect further new lettings upon the park and thus create a substantial reversion.
- Our clients are seeking offers in excess of £61.65 million for their freehold interest in the property. A purchase at this level would show a yield of 4.75%, after allowing for purchaser's costs of 5.8%. Upon settlement of the outstanding DFS rent review, our clients are seeking a top up payment equal to the additional rent agreed, capitalised at the purchase yield.



LOCATION

Romford is a large town situated within Greater London and is the administrative centre of the London Borough of Havering. The town is one of London's key commercial centres.

Romford is strategically located approximately 11 miles north east of the City of London, which by road can be directly accessed via the A12. The A12 Colchester Road is one of London's major arterial routes leading north east from the city to the North Circular (and M11), Romford, Brentwood, Chelmsford, Colchester, Ipswich and the ports of Lowestoft / Great Yarmouth. The A127 runs east from Romford to Junction 29 of the M25 and then on to Basildon, Rayleigh and Southend on Sea.

By rail Romford is just 15 minutes from London Liverpool Street station and is located within Travel Zone 6. At peak times trains run every seven minutes into the city. The 2013 / 14 National Rail Annual Entry and Exit Survey counted 8.265 million individual journeys through Romford station.

From 2019, Romford will be fully served by Crossrail, which will directly link the town to London's West End at Tottenham Court Road and Bond Street (34 minutes) and beyond to Heathrow Airport (62 minutes), Slough, Maidenhead and Reading. Crossrail services will run every 15 minutes.

Romford also has excellent transport connections to all of London's airports. The closest airport is London City Airport, which is just eight miles south west of the town.

ROMFORD IS JUST 15 MINUTES FROM LONDON LIVERPOOL STREET BY RAIL AND WILL BE FULLY SERVED BY CROSSRAIL FROM 2019.

DEMOGRAPHICS

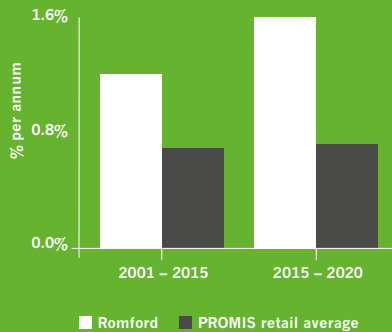
As a result of Romford's proximity and excellent transport links to the City and Central London, the town has a large and affluent population.

PROMIS define Romford as a sub-regional centre, with a primary catchment population of 626,000, very significantly above the average, ranking it 24th of all PROMIS centres. PROMIS estimate the shopping population to be 341,000, ranking Romford 25th of all PROMIS centres. The high shopping population ranking reflects the strength of loyalty to Romford from its catchment.

Experian calculate that there are 164,373 people living within the key ten minute drive-time of Gallows Corner Retail Park.

Both the shopping population of Romford and the ten minute drive time catchment population are young and affluent. The C2 'skilled manual worker' social grade category is significantly over represented in the ten minute drive time catchment and the E 'state benefit / unemployed' social grade is very significantly under represented. Furthermore, Romford's population is forecast to see significantly above average growth over the period to 2020, with a 1.6% increase (compared to the UK average of just 0.75%), and then consistently above average growth to 2032.

Population Growth



SITUATION

Gallows Corner Retail Park is strategically situated on a site fronting the A12 Colchester Road, Gallows Corner roundabout and the A127. According to the Department for Transport, there was an average of 88,833 vehicles passing the property per day in 2014 on the A12 and A127.

Immediately to the north-east of Gallows Corner Retail Park is a 114,000 sq ft 24 hour Tesco Extra foodstore with a petrol filling station. To the north of the property, across the A12, is a 72,315 sq ft B&Q Warehouse and a newly constructed KFC drive-thru.

AN AVERAGE OF 88,833 VEHICLES PASS THE PROPERTY PER DAY ON THE A12 AND A127.

Department for Transport 2014





GALLOWS CORNER

DESCRIPTION

The property comprises a modern, purpose built, retail warehouse park of 92,538 sq ft, currently arranged as seven units. It was constructed in 2000 by Chartwell Land.

The park is laid out as a terrace of six retail warehouse units running along the southern side of the site, with a solus unit to the north adjoining the A12.

The scheme has three points of access; an entrance / exit from the A12, an entrance from the A127 and a further entrance / exit in the north east corner of the site from Bryant Avenue, the latter allowing easy access for shoppers visiting the Tesco Extra.

There is a large customer car park in the preferred arrangement to the front of the units. The site provides a total of 344 car parking spaces giving an excellent parking ratio of 1:269 sq ft.

The scheme is of steel portal frame construction under pitched clad roofs. With the exception of Unit 6a, all units have composite clad elevations. The new Next unit (6a) has a fully glazed elevation with brick detailing.

Units 2, 3, 4, 5 and 6a have the benefit of mezzanine floors with consent for retail use.

A secure service yard is located to the rear of the main terrace which has a separate access from Bryant Avenue.

SITE

The site is level and broadly rectangular in shape. It extends to approximately 6.40 acres (2.44 hectares).

ENVIRONMENTAL

Waterman Energy, Environmental and Design Ltd carried out a Phase 1 Environmental Assessment of the property in June 2012 and their report concluded that in its current use and form the property represents a Low Risk of contaminated land liabilities or costs.

PLANNING

Planning consent for retail use on the site has been achieved through multiple consents dating back as far as 1983.

Units 1 – 5 have consent for the sale of DIY goods, furniture, carpets / floor coverings, motor accessories, cycles / accessories, gas / electrical goods, pets / pet products, office equipment, footwear and sports goods.

Units 6a / 6b originally had consent for DIY goods, furniture, carpets / floor coverings, motor accessories, garden products and electrical goods. However, in November 2008 a consent for Unit 6b was granted to widen this use to include 'catalogue shop retailing' to allow Argos to trade.

In 2013 consent was granted for the sale of fashion and footwear items in Unit 6a, together with the installation of a full cover trading mezzanine and the provision of a café.

The scheme therefore has a very flexible, part open A1, part broad bulky goods, planning consent.

Importantly, the local authority have supported the various applications to change the retail use of the scheme which has ensured its ongoing success.

TENURE

The property is held freehold.





Plan for identification purposes only



next

Argos

Magnet

halfords

Furniture
Village

dfs 

Harveys

bensons
for **beds**



TENANCIES

Gallows Corner Retail Park is exceptionally well let to seven leading retailers, all of whom are household names. The property produces a total income of £3,098,514 per annum, in accordance with the schedule below.

UNIT	TENANT	AREA (sq ft)	LEASE START	REVIEW DATE	LEASE EXPIRY	RENT (£ psf)	RENT (£ PA)	COMMENT
6a	Next	22,181	24-Jun-13	24-Jun-18	23-Jun-23	£30.85	£684,225	Open market letting in June 2013 following Comet insolvency.
6b	Argos	10,103	03-Sep-09	03-Sep-19	03-Sep-24	£38.60	£390,000	
1	Magnet	7,530	24-Jun-00	24-Jun-20	23-Jun-25	£36.94	£278,140	2015 rent review settled by an Expert award. £37.50 psf awarded less 1.5% for assumed 15 year term.
2	Halfords	10,100	TBC	TBC	2026	£36.29	£366,529	Lease renewal agreed in November 2015. Rent agreed at £37.50 psf with 1.25% allowance per 1,000 ft for quantum. Completion due imminently.
3	Furniture Village	15,214	29-Sep-00	29-Sep-20	28-Sep-25	£33.46	£509,000	2015 rent review settled by negotiation. £37.50 psf agreed less 1.5% for assumed 15 year term and 1.25% allowance per 1,000 ft for quantum.
4	DFS	19,928	25-Dec-00	25-Dec-15	24-Dec-25	£30.11	£600,000	2015 rent review outstanding.
5	Harveys	7,482	02-Mar-13	02-Mar-18	01-Mar-23	£35.00	£261,870	New lease granted in March 2013 with just two months' rent free.
Van	The Lunch Box	Burger Van	23-Apr-15	–	22-Apr-16	–	£8,750	Let on an annual licence.
TOTAL		92,538					£3,098,514	



INCOME SECURITY

All of the retail units at Gallows Corner Retail Park have been let to national multiple retailers and as such the income is very well secured. Indeed some 83% of the income is from tenants whom Dun & Bradstreet rate as having a 'minimum' risk of business failure.

In addition, the property has a weighted average unexpired lease term (WAULT) of 8.66 years.

The schedule below sets out a summary of the most recent financial information upon the tenants.

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).

EPC

Copies of the Energy Performance Certificates (EPC) are available upon request.

ALL UNITS ARE WELL LET TO
NATIONAL MULTIPLE RETAILERS.

UNIT	TENANT	D&B RATING	RISK OF BUSINESS FAILURE	YEAR ENDING	SALES TURNOVER (£'000S)	PRE TAX PROFIT / LOSS (£'000S)	NET WORTH (£'000S)
6a	Next Group PLC	5A 1	Minimum	24/01/2015	202,200	139,400	772,700
				25/01/2014	197,700	53,000	1,267,600
				26/01/2013	212,300	322,500	1,747,900
6b	Argos Ltd	5A 1	Minimum	28/02/2015	3,919,176	97,146	1,202,554
				01/03/2014	3,872,446	43,992	1,172,054
				02/03/2013	3,752,634	84,662	1,249,775
1	Magnet Ltd	4A 1	Minimum	31/12/2014	–	600	33,673
				31/12/2013	39,714	750	32,961
				31/12/2012	298,674	(5,106)	16,270
2	Halfords Ltd	5A 1	Minimum	03/04/2015	872,700	92,600	622,300
				28/03/2014	803,100	86,200	548,000
				29/03/2013	745,500	75,500	481,400
3	Furniture Village Plc	4A 2	Lower than average	29/03/2015	196,979	4,367	16,892
				30/03/2014	185,699	1,909	14,591
				31/03/2013	181,765	(182)	13,451
4	DFS Furniture Company Plc	5A 1	Minimum	02/08/2014	690,000	64,200	66,000
				27/07/2013	670,800	70,600	49,100
				28/07/2012	624,700	70,200	63,300
5	Steinhoff UK Group Properties Limited	4A 1	Minimum	28/06/2014	76,669	2,924	15,937
				29/06/2013	71,211	4,658	13,247
				30/06/2012	69,803	3,231	8,627



B&Q WAREHOUSE

A12

TESCO EXTRA

GALLOWS CORNER
RETAIL PARK

KFC

A12

A127



RETAIL WAREHOUSING IN ROMFORD

Gallows Corner is the focus of Romford's prime out of town retail provision, comprising the subject premises, the adjoining Tesco Extra foodstore and the B&Q Warehouse. Accordingly, Gallows Corner Retail Park commands the highest retail warehouse rents in the town.

The other main retail warehouse schemes in Romford are as follows:

B&Q WAREHOUSE, GALLOWS CORNER

The B&Q Warehouse opposite the subject property was developed in 1996 and totals 72,315 sq ft. The property is let at a rent of £18.50 psf.

EASTERN AVENUE RETAIL PARK

Also fronting the A12, Eastern Avenue Retail Park is located three miles west of Gallows Corner. The 71,043 sq ft park is let to Currys, PC World, Poundstretcher, Carphone Warehouse and Burger King, with an adjoining stand alone Dunelm. The property was developed in 2002 and is let at rents of £13.48 – £23.00 psf.

THE BREWERY

The Brewery is a 530,000 sq ft hybrid, multi-level, retail and leisure park immediately to the west of the town centre. The leisure element of the scheme includes a 16 screen Vue Cinema, a 24 lane bowling alley, a Virgin Active health and fitness club, Kidspace children's entertainment centre and a number of restaurants.

The retail element of The Brewery includes a Sainsbury's foodstore and units let to TK Maxx, Thomas Cook, The Entertainer, JD Sports, Hobbycraft, Gap, Boots, 99p Stores, Homesense and The Range. Rental levels upon the retail units are currently in the region of £25.00 psf.

ROM VALLEY WAY RETAIL PARK

Rom Valley Way Retail Park opened in 1988 and now totals some 67,884 sq ft, let to Mothercare, Carpetright, B&M, Pets at Home and Pizza Hut. The park has a bulky goods planning permission and the rents range from £17.29 – £23.38 psf. There is a 40,000 sq ft Homebase immediately to the north of Rom Valley Way Retail Park.

B&Q WAREHOUSE, RONEO CORNER

At Roneo Corner, to the south of the town centre, there is a B&Q Warehouse of 102,252 sq ft, also adjoining a Tesco foodstore. The B&Q opened in 2002 and is let at a rent of £18.25 psf.







ASSET MANAGEMENT

Gallows Corner Retail Park offers a purchaser the opportunity to enhance returns by actively managing the scheme to unlock the reversionary value. In particular, these opportunities include;

- Negotiating a surrender of Magnet's lease of Unit 1. The June 2015 rent review of this unit was recently settled at a rent of £36.94 psf, a 33% uplift, and this is the highest rent paid by Magnet on any store in their portfolio. At 7,530 sq ft, this unit is the ideal size to relet and set a new rental level for the park.
- Buy in the freehold of the Balgore Motors site and redevelop it for retail warehouse use to complete this corner of the retail park, subject to achieving all necessary planning consents.

TENANT DEMAND AND RENTAL VALUE

Due to the quality of Gallows Corner Retail Park, its location and the fact that it dominates a very large and affluent catchment, it has always sustained strong tenant demand. This was true throughout the credit crunch and continues to be the case today. When Unit 6a became vacant in 2012 a number of offers were received from retailers seeking units of 12,000 sq ft at a rental of £38.00 psf with just 3 months' rent free, an unprecedented level at that time. It was decided, however, that a letting of the whole of Unit 6a to Next was better for the tenant mix and the long term vitality of the park.

Tenant demand has increased since that time, particularly in respect of the best schemes in highly accessible M25 locations such as Gallows Corner. Were a unit to become vacant on the park today, we are confident that a rent of at least £42.50 psf would be achieved.

Accordingly, we believe that a significant reversion could be achieved upon a new letting at the park.

PURCHASE PRICE

Our clients are seeking offers in excess of **£61,650,000 (SIXTY ONE MILLION SIX HUNDRED AND FIFTY THOUSAND POUNDS)**, subject to contract and exclusive of VAT, for the freehold interest in the property.

A purchase at this level would show a yield of 4.75%, net of purchaser's costs of 5.8%.

Upon settlement of the outstanding DFS rent review of Unit 4, our clients are seeking a top up payment equal to the additional rent agreed capitalised at the purchase yield.

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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**GALLOWS CORNER RETAIL PARK
HAS SHOWN CONSISTENT RENTAL
GROWTH, WITH THE 2015 LEASE
RENEWAL AND RENT REVIEWS ALL
SHOWING SIGNIFICANT UPLIFTS. ASSET
MANAGEMENT OPPORTUNITIES EXIST
TO EFFECT FURTHER LETTINGS AND
CREATE A SUBSTANTIAL REVERSION.**

