

B&Q EXTRA

NEWPORT, ISLE OF WIGHT, PO30 5AW



Prime Freehold Retail Warehouse Investment



INVESTMENT SUMMARY

- ▶ A modern retail warehouse unit purpose built to B&Q's optimal size and specification.
- ▶ Let to B&Q plc for a further 12.5 years.
- ▶ The store is the only DIY retail warehouse on the Isle of Wight and dominates its catchment.
- ▶ It is one of B&Q's top-performing large-format stores.
- ▶ The property has a flexible planning consent allowing the sub-division of the unit.
- ▶ The passing rent of £1,454,037 pa is subject to two further upward-only reviews fixed to RPI, capped at 3% pa compound.
- ▶ Based upon RPI performance since the last rent review, the rent is inherently reversionary by 5.05% to £1,527,449 pa.
- ▶ Our client is seeking offers in excess of **£22,905,000 (twenty two million nine hundred and five thousand pounds)**, subject to contract and exclusive of VAT, for the freehold interest in the property.
- ▶ A purchase at this level would show the following yield profile net of 5.8% purchase costs:

Net Initial Yield	6.00%
Inherent reversionary yield at 04/2015	6.30%
Forecast reversionary yield at 11/2017	6.71%
Potential reversionary yield at 11/2022	7.78%





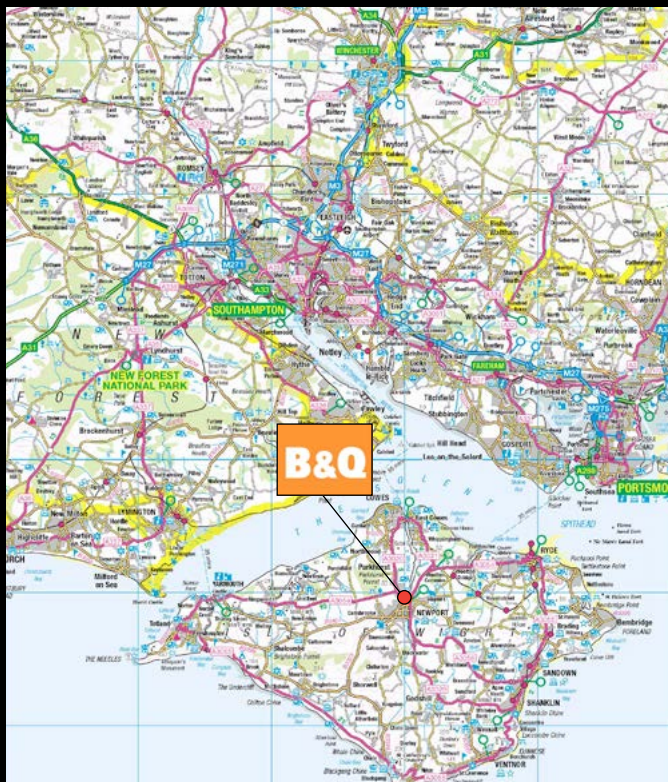


LOCATION

Newport is the county town of the Isle of Wight and is located in the centre of the island. The Isle of Wight is located approximately 3 miles south of the Hampshire coast over the Solent and measures 23 miles east-west and 13 miles north-south.

Newport is located at the navigable head of the River Medina at the intersection of the A3020 and A3054, which respectively run roughly north-south and east-west across the island. Newport is the administrative and economic centre of the island.

The Isle of Wight has regular vehicle ferry crossings from Portsmouth, Southampton and Lymington, as well as hovercraft and hydrofoil foot passenger services.



SITUATION

The property is situated in a very prominent position fronting a roundabout junction of the A3020, approximately half a mile north of Newport town centre. The property faces north and is accessed from a further roundabout on Dodnor Lane, which connects with the A3020.

Immediately to the south of the property is the Isle of Wight College and further to the east and south is a large commercial trading estate with a mix of office, light industrial, trade-counter and retail uses.







DEMOGRAPHICS

The Isle of Wight had a population of 138,400 as at the last Census in 2011, an increase of 9% from the previous 2001 Census. The town of Newport has a population of 17,200 (2011 Census). Some 60.64% of the total population is aged between 15-64, with 24.06% aged over 65 and 15.10% under 15 (2011 Census).

The population is forecast to grow to 143,621 by 2018 and to 154,014 by 2033 (Experian).

According to Experian the population of the Isle of Wight is significantly over-weight in the Mosaic Groupings of; Country Living, Rural Reality and Senior Security. All of these groupings generally own their own home and are relatively affluent. By contrast, the less affluent Mosaic Groupings of Municipal Challenge and Urban Cohesion are significantly under-represented.

The level of home ownership on the Isle of Wight, at over 70% of all households, is significantly above average by comparison to Experian's base level.

The Social Grade AB (higher and intermediate management, administration and professional) is under-represented, however, the Social Grade C2 (skilled manual workers) is over-represented.

Ethnically, over 97% of the Isle of Wight's population is categorised as White.







SITE

The site is level and extends to some 7.04 acres (2.85 ha).

AIQ Engineering Group have undertaken a Geoenvironmental Assessment of the property. Their report concludes that 'the potential ground contamination risks for the site are low.'

A copy of AIQ's report is available upon request and it is also available for assignment.



DESCRIPTION

The subject property was purpose built by B&Q Properties Limited in 2003 for their own occupation and was built to B&Q's optimal size and specification. It is of a steel framed construction under a clad roof, with part brick and part clad elevations. B&Q trade the store under their "Extra" format.

The building is well laid out on site with a garden centre at the western end and covered builders yard at the eastern end of the unit. Internally the unit is well specified and includes a café and customer toilets.

Customer access is gained from a roundabout on Dodnor Lane. It is serviced from the rear via a secure yard which is separately accessed from Dodnor Lane.

In total the property provides approximately 83,618 sq ft (7,768 sq m) of accommodation on ground and first floors.

There are a total of 349 customer car parking spaces which shows an excellent ratio of 1:240 sq ft (1:22.3 sq m).





PLANNING

The property was granted planning permission on 22 April 2002 for a 'non food retail warehouse with garden centre and builders yard, car park and service arrangements.'

This consent allows the sale of 'DIY goods, equipment and materials for the repairs maintenance and the improvement of the home, garden and motor vehicles, floor coverings and building materials.'

The consent also allows the unit to be sub-divided into units no smaller than 10,000 sq ft.

A copy of the planning consent is available upon request.

TENURE

Freehold.

TENANCY

The property is let in its entirety to B&Q plc for a term of 20 years from 7 November 2007 on full repairing and insuring terms. There are thus approximately 12.5 years remaining unexpired.

The passing rent of £1,454,037 per annum (£17.39 per sq ft) is reviewed 5 yearly upwards only to RPI capped at 3% per annum compound. The lease has the benefit of two further rent reviews fixed to RPI.

INCOME SECURITY

B&Q Plc was founded in 1969 and is the UK's dominant DIY retailer. B&Q currently trades from approximately 350 stores in the UK and employs 39,000 people. The accounts for B&Q Plc for the last three years are summarised in the table below.

Tenant	Last Accounts	Turnover (000's)	Pre-Tax Profits (000's)	Net Worth (000's)	D&B Rating
B&Q Plc	01/02/2014	3,589,500	138,600	3,836,900	5A1
	02/02/2013	3,637,900	(44,100)	4,305,500	
	28/01/2012	3,710,400	203,300	3,368,500	



STORE PERFORMANCE

The subject property is the only DIY retail warehouse store on the Isle of Wight and consequently it totally dominates its catchment in terms of DIY spend.

Due to the dominance of this store in its catchment, the subject property is one of B&Q's top performing large-format stores, both regionally and nationally. We are aware that the store's turnover increased during 2014 and it significantly exceeded its target turnover figure for the year.

Consequently, despite the fact that the store could be sub-divided both physically and under the planning consent, B&Q have no intention of down-sizing it.

Were the unit vacant and to let we believe that B&Q, Wickes and Homebase would all be very keen to acquire it.



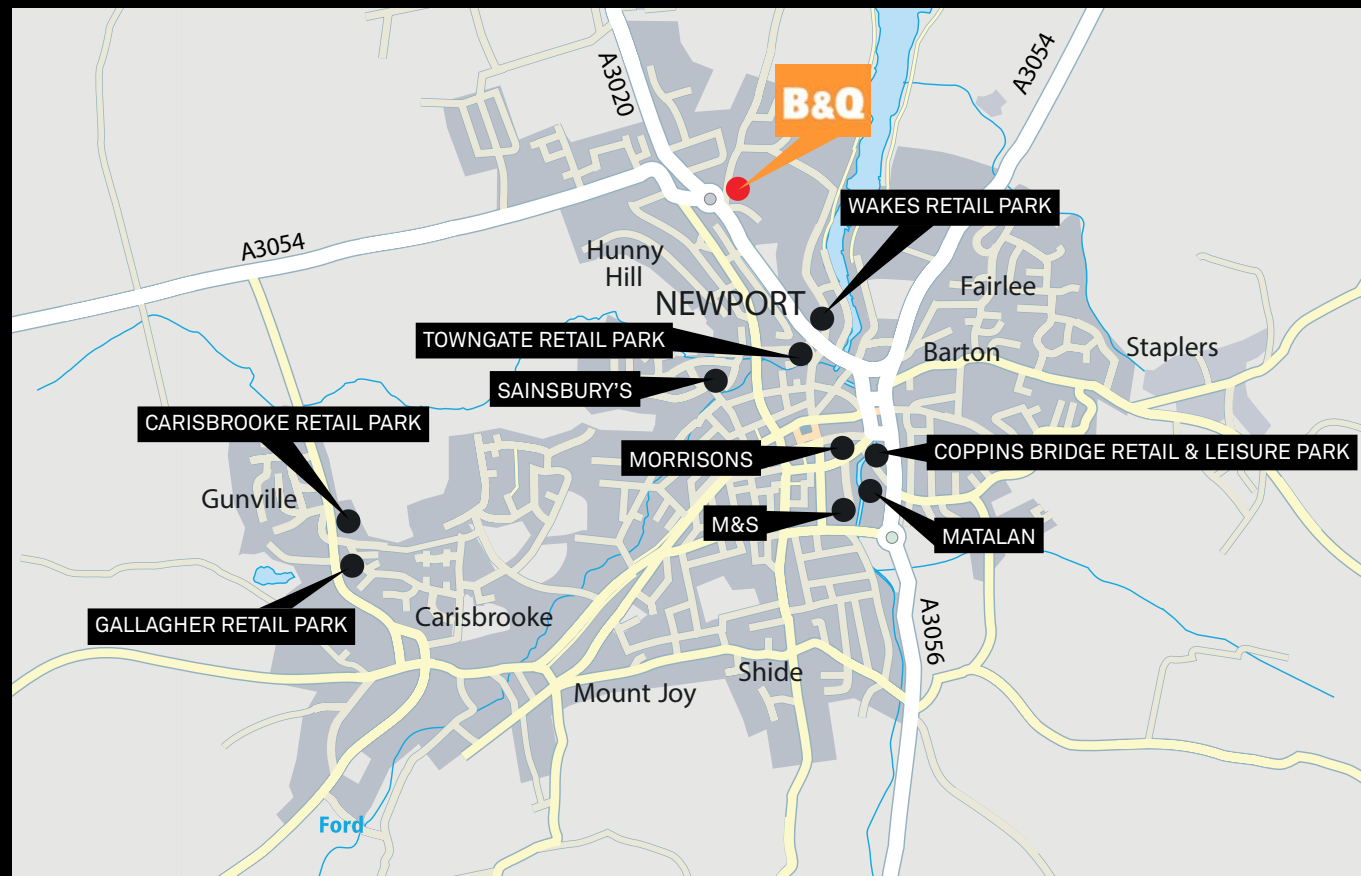
RETAIL WAREHOUSING ON THE ISLE OF WIGHT

The B&Q is the only DIY retail warehouse store on the Isle of Wight.

In terms of other retail warehouse provision, the majority comprises either solus units or small clusters.

Marks & Spencer and have a full-format store close to the town centre and Matalan occupy the former B&Q unit. Coppins Bridge is a retail and leisure scheme where Staples and Maplin and Cine UK are located. Wakes Retail Park is a modern cluster scheme where PC World, Currys, Pets at Home and Dunelm occupy units and Lidl have a solus unit on the opposite side of the A3020. Carrisbrooke and Gallagher retail parks are located on the western edge of Newport and together comprise a first generation cluster.

Sainsbury's and Morrisons both occupy large format food stores close to the town centre.



RENT PERFORMANCE TO RPI

RPI at the date of the last rent review (November 2012) was 245.6. The latest RPI figure published is 258.0 (April 2015), which is an increase of 5.05%, or 2.06% compound per annum, since the last review. Therefore as at April 2015, the passing rent is reversionary to £18.27 psf (£1,527,449 pa).

Based upon the latest average RPI forecasts published by the government, the rent will rise by 11.79% to the next review in November 2017 (2.26% compound pa). This would show a rent of £19.44 psf (£1,625,469 pa) as at November 2017.

SPV

The property is held in a Guernsey domiciled SPV. The company's only asset is the subject property. A purchase of the shares in the SPV would further enhance the returns available to a purchaser.

EPC

A copy of the EPC is available on request.

PURCHASE PRICE

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Forecast reversionary yield at 11/2017	6.71%
Potential reversionary yield at 11/2022 review assuming RPI cap is reached	7.78%





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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