

PRIME LONDON RETAIL WAREHOUSE INVESTMENT



**B&Q, TANGENT LINK
GALLOWS CORNER,
ROMFORD
RM3 8GZ**

**PRIME LONDON
RETAIL WAREHOUSE
WITH SIGNIFICANT
REVERSIONARY AND
REDEVELOPMENT
POTENTIAL**



INVESTMENT SUMMARY

- **Prime London retail warehouse** located within the M25, fronting the A12 close to the Gallows Corner roundabout. On average 47,156 cars pass the property every day.
- Romford is a sub-regional centre, with a primary catchment population of **626,000**, ranking it 24th of all centres. **Romford's population is forecast to grow by 13% to 2030.**
- A **7 minute walk** from a new **Crossrail** station at Harold Hill with train services starting in 2020.
- Modern purpose built retail warehouse of 72,315 sq ft with substantial and prominent frontage to the A12.
- Well let in its entirety to B&Q Plc on a 15 year lease from November 2016 at a rent of **£1,337,828 per annum** reflecting **£18.50 psf**.
- The passing rent is very affordable for B&Q.
- B&Q Plc had a 2018 turnover of £3.386 billion and has a D&B rating of **5A1**.
- B&Q trade very well from the unit as evidenced by the recent lease re-gear.
- The property has a bulky goods planning consent and there is no restriction against subdividing the existing unit.
- **Strong reversionary potential** in its current use.
- Opportunity to **significantly enhance value** through redevelopment for retail, residential or logistics uses.
- Our client is seeking offers in excess of **£25,050,000 (TWENTY FIVE MILLION AND FIFTY THOUSAND POUNDS)**, subject to contract and exclusive of VAT for their freehold interest in the property. A purchase at this level would show a yield of **5%**, net of purchase costs of 6.8%.



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.

Romford will be 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. New Crossrail stations serving Romford will be located in the town centre, Gidea Park and Harold Wood. Crossrail services will run every 15 minutes and are currently forecast to start running in 2020.

Romford also has excellent transport connections to all of London's airports. The closest airport is London City Airport, which is just 8 miles south west of the town. Crossrail will also connect Romford directly to Heathrow Airport.

ROMFORD IS JUST 15 MINUTES FROM LONDON LIVERPOOL STREET BY RAIL AND WILL BE FULLY SERVED BY CROSSRAIL FROM 2020.



**AN AVERAGE OF 47,156 VEHICLES
PASS THE PROPERTY PER DAY.**

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 centres. PROMIS estimate the shopping population to be 341,000 ranking Romford 25th of all centres. The high shopping population ranking reflects the strength of loyalty to Romford from its catchment.

Within 10 and 15 minute drive times of the subject property, there are catchments of 145,000 and 333,009 persons respectively.

The catchment has a significantly higher proportion of "Comfortable Middle Aged" than the GB average. This sector has a strong DIY expenditure and, indeed, expenditure upon those household goods generally sold from retail warehouses.

Within Havering Borough, the level of owner-occupied housing at 73.7% is significantly above the GB average. Car ownership is also significantly higher than the national average in the 10 and 15 minute drive time catchment population. Only 23.3% of the resident population do not have a car (GB – 27.5%).

Both the shopping population of Romford and the 10 minute drive time catchment population are young and affluent. The C2 'skilled manual worker' social grade category is significantly over represented in the 10 minute drive time catchment and the E 'state benefit/unemployed' social grade is very significantly under represented.

Romford's population is forecast to see significantly above average growth with a 13% increase by 2030. The London Borough of Havering is also forecast to experience higher population growth than that of London generally to 2025 as a consequence of a higher than average birth rate and increased net migration (Havering Strategic Partnership).

SITUATION

The B&Q is strategically situated on a highly prominent site fronting the A12 Colchester Road, a quarter of a mile north of the Gallows Corner roundabout junction with the A127. According to the Department for Transport, there were an average of 47,156 vehicles passing the property in both directions per day in 2018 along the A12.

Diagonally opposite the B&Q on the southern side of the A12 is a 75,000 sq ft 24 hour Tesco Extra foodstore with a petrol filling station. Immediately to the west of the Tesco is Gallows Corner Retail Park where Next, Argos, Oak Furnitureland, Halfords, Furniture Village, DFS and Harveys are represented. KFC occupy a new drive-thru unit opposite Gallows Corner Retail Park which fronts the roundabout junction and the A12.

Collectively these developments form what is considered to be the best out-of-town destination in the Romford area and one of the strongest within Greater London.

To the north and east of the property is the Harold Hill industrial estate where the Metropolitan Police, Screwfix, Big Yellow, Xcel Aerospace, Ethypharm and AAH Pharmaceuticals, amongst others, occupy units. There are also three car showrooms let to VW, BMW and Mini franchises which front the A12. The subject property and the industrial estate are surrounded by the Harold Hill Housing Estate which was built in the late 1940's and originally comprised 7,361 houses for 25,000 people.

Connectivity to the immediate area will be further enhanced by the new Crossrail station at Harold Wood which is 1 mile to the east of the B&Q.

**7 MINUTE WALK TO
HAROLD WOOD
CROSSRAIL STATION.**





B&Q GALLOWS CORNER

DESCRIPTION

The property comprises a modern purpose-built B&Q Warehouse of 72,315 sq ft which presents very well and is in good condition. It was originally developed in 1996. It is laid out in a standard B&Q Warehouse design with an exterior garden centre at the western end of the unit and a bulk store and builder's yard at its eastern end. The garden centre is part covered.

Customer access is at the eastern end of the site from Tangent Link, which connects to the A12 in both directions via a traffic light junction.

The unit is of a steel portal frame construction under pitched roofs. The structure has two roof spans which run along the length of the unit. The main frontage is brick clad to a level with composite cladding to the eaves. There are two main entrance features, one for customer access towards the western end of the unit and one for trade access towards the eastern end of the unit. Internally the unit is laid out in the standard B&Q Warehouse format.

The unit is serviced from a secure yard located at the north east corner of the site, which has the ability to be accessed from both Tangent Link and Ashton Road. The garden centre at the western end of the unit is serviced via a corridor which runs to the rear of the unit along the back of the site.

The lease to B&Q states a total agreed area for the unit of 72,315 sq ft GIA in total, which is made up of a ground floor area of 70,000 sq ft and a first floor area of 2,315 sq ft.

Customer car parking is regularly laid out to the front of the unit. There are a total of 341 customer parking spaces made up of 310 standard spaces, 13 disabled spaces, 9 family spaces and 9 trade spaces. This produces an excellent car parking ratio of 1:212 sq ft.

SITE

The site is level and regular in shape and extends to approximately 5.29 acres (2.14 hectares).

PLANNING

Outline planning permission for the current development was granted on 21st August 1995 (App No P1287.93).

The property has the benefit of a bulky goods planning consent which allows for the sale of the following products; "DIY goods, furniture, floor coverings, motor accessories, garden products and electrical goods only. Goods ancillary to all these categories shall be acceptable."

Importantly, the planning consent does not have a restriction against the unit being subdivided.

There is a maximum gross floorspace restriction stating that the retail warehouse shall not exceed 73,860 sq ft (6,861 sq m).

TENURE

The property is held freehold.





B&Q

ENTRANCE



B&Q





TENANCY

The property is let in its entirety to B&Q Plc for a term of 15 years from 22nd November 2016 at a current passing rent of £1,337,828 per annum, which reflects £18.50 psf. There are 12½ years unexpired on the lease without break.

The rent is reviewed 5 yearly upwards only to open market rental value capped at 2.5% per annum compound.

The property has always been let in its entirety to B&Q Plc since it was completed in 1996. The original lease was drawn from 15th July 1996 and was for a term of 25 years, which was due to expire in July 2021. In 2016 a new lease was entered into with B&Q Plc as outlined above.

It should be noted that the current level of rent, which reflects £18.50 per sq ft, was originally set at review in 2001 and the rent has not increased since. This shows the affordability of the passing rent and underpins the reversionary potential.

INCOME SECURITY

B&Q Plc is the UK and Ireland's leading DIY and home improvement retailer. B&Q Plc currently occupies some 23.8 million sq ft in approximately 300 stores and employs 28,176 people.

In the financial year to 31 January 2018 B&Q Plc had a turnover of £3.386 billion, generated a gross profit of £1.303 billion and a profit before tax of £205 million.

Dun & Bradstreet currently rate B&Q Plc as 5A1, their strongest rating, showing the business as having a tangible net worth of £4.755 billion and as having a “minimum risk of business failure”.

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.

TENANT TRADING & AFFORDABILITY

We understand that this store has always traded very well for B&Q. This was confirmed in 2016 by B&Q when they entered into a new 15 year lease as outlined above prior to the expiry of their previous lease. We also understand that of the two B&Q Warehouse units in Romford, the other being to the south of the town at Roneo Corner, this store is the better trader. The fact that Romford has two B&Q Warehouse stores confirms its exceptional catchment.

When B&Q agreed a new lease in 2016 they did so at the previous passing rent of £18.50 psf. This level of rent was originally set on an uplift at rent review in July 2001 and the rent has not risen since. In the intervening 18 years RPI has run at an average of 2.97% per annum, meaning that in effect £18.50 psf in 2001 has been eroded by inflation to represent just £10.92 psf today. This implies that £18.50 psf today is 41% less in real terms than it was in 2001, meaning it is now a significantly more affordable rent for B&Q to pay for the store.

PASSING RENT OF
£1,337,828 PER ANNUM

12.5 YEARS UNEXPIRED
ON THE LEASE

IN 2018 B&Q PLC HAD A
TURNOVER OF **£3.386 BILLION**

DUN & BRADSTREET
CURRENTLY RATE B&Q PLC AS **5A1**







ASSET MANAGEMENT AND ALTERNATIVE USES

The property offers a purchaser the opportunity to enhance returns in the medium term in a number of ways.

RETAIL WAREHOUSING

In terms of retail warehousing, this micro-location is one of the strongest retail warehouse pitches in the Greater London area as evidenced by the recent lettings, lease regears and rent review settlements achieved on Gallows Corner Retail Park close by. The latest letting in 2017 was of the former Magnet unit of 7,530 sq ft which Oak Furnitureland took at a rent reflecting £42.50 psf. Prior to this, uplifts were achieved on the regear of the Halfords lease (£37.50 psf), the rent review of the Magnet unit (£37.50 psf), the rent review of the Furniture Village unit (£37.50 psf) and the letting of the Harveys unit (£35.00 psf). We are aware of a number of current retailer requirements for location.

- The subject property therefore offers the opportunity to down-size the B&Q unit and to provide them with a smaller unit let at a higher rent. The space taken back could then be subdivided into two or three units which could be let at rents in-line with those prevailing on the Gallows Corner Retail Park as outlined above.

RESIDENTIAL

The London Borough of Havering is covered by the Draft London Plan of 2017. This draft plan identifies a need for 66,000 additional homes to be built in Greater London every year between 2016 and 2041, or 1.65 million new homes in total.

Under this plan Havering's target is to build 1,875 homes every year between 2019 and 2029, a total of 18,750 new homes. Moreover, Havering has failed to achieve its house-building target every year for the past 10 years, meaning there is a back-log of a further 2,585 houses which are required to be built.

- The property offers the opportunity to take advantage of the demand for further residential development and the site's unique location lends itself both to pure residential use or for a mix of retail or light industrial use on ground floor level with residential above.



LOGISTICS

The site's outstanding location on the A12 and proximity to central London make it ideally suited to logistics uses (in particular last mile logistics).

**AN OPPORTUNITY TO TAKE ADVANTAGE
OF THE DEMAND FOR FURTHER
RESIDENTIAL DEVELOPMENT**



M25

⚡ HAROLD WOOD CROSSRAIL

B&Q

A12

TESCO EXTRA

GALLOWS CORNER RETAIL PARK

KFC

A127

GALLOWS CORNER

A12



RECENT COMPARABLE INVESTMENT TRANSACTIONS

As a result of general economic uncertainty and challenges within the retail sector, London retail warehousing is prized for its security and long-term potential for alternative uses.

Furthermore, as London retail warehouses are redeveloped for alternative uses, retailers are finding it increasingly difficult to maintain representation in densely populated and affluent locations. As a result there is upwards pressure upon rents as operators compete for the shrinking supply of space. This has been shown by landlords agreeing re-gears on very attractive terms with minimal incentives, such as the subject regear in 2016.

As a result of the above, London retail warehouses rarely come to the market and when they do they are keenly sought after as the following recent transactions demonstrate;

- Ealing, Wickes, 13.25 years unexpired, 3.91% IY, £14.5 million.
- Barking, Wickes, 9.5 years unexpired, 4.00% IY, £20 million.
- Ilford Retail Park, 4 years unexpired, 2.4% IY, £17.7 million.
- Erith, Wickes, 9.3 years unexpired, 4.25% IY, £9 million.
- Croydon, B&Q, 15 years unexpired, 4.75% IY, £37.35 million.

PURCHASE PRICE

Our clients are seeking offers in excess of **£25,050,000 (TWENTY FIVE MILLION AND FIFTY THOUSAND POUNDS)**, subject to contract and exclusive of VAT for their freehold interest in the property.

A purchase at this level would show a yield of **5.00%**, net of purchaser's costs of 6.8%.

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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THE SITE HAS UNDERLYING
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VALUE AND IS A 7 MINUTE
WALK FROM A NEW
CROSSRAIL STATION

