

Greater London Inflation Linked Supermarket Investment Opportunity



MORRISONS M LOCAL

279 BRIGHTON ROAD, SOUTH CROYDON, GREATER LONDON, CR2 6EQ



CROYDON IS A DENSELY POPULATED LONDON SUBURB SITUATED APPROXIMATELY 10 MILES SOUTH OF CENTRAL LONDON AND 8 MILES NORTH OF THE M25 MOTORWAY

INVESTMENT CONSIDERATIONS

- ◆ Greater London convenience store investment opportunity.
- ◆ Two miles south of Croydon town centre with excellent frontage on to the A235 Brighton Road.
- ◆ Let to Wm Morrison Convenience Stores Ltd for a term of 15 years.
- ◆ Initial rent of £80,000 per annum, subject to five yearly RPIX linked rent reviews with a collar and cap of 0%-3%.
- ◆ Increasingly popular convenience sized trading format.
- ◆ Offers are sought in excess of £1,260,000 (One Million, Two Hundred and Sixty Thousand Pounds) subject to contract and exclusive of VAT, which reflects an attractive Net Initial Yield of 6.00%, assuming purchasers' costs of 5.8%.



Front elevation and customer car park from Brighton Road



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LOCATION

Croydon is a densely populated London suburb situated approximately 10 miles south of Central London and 8 miles north of the M25 motorway. South Croydon is located a short distance to the south of Croydon town centre.

Croydon has a district population of 330,000, with 1,292,000 within 10 km of the centre. The urban area benefits from a higher than average number of class AB (managerial and professional) people at 26.5% of the population compared to the national average of 21.7%.

The subject property has excellent communications links to the centre of Croydon via the A235 and Central London beyond via the A23. To the south, the A235 joins the A23 and in turn connects to the M23 and M25 (junction 7).

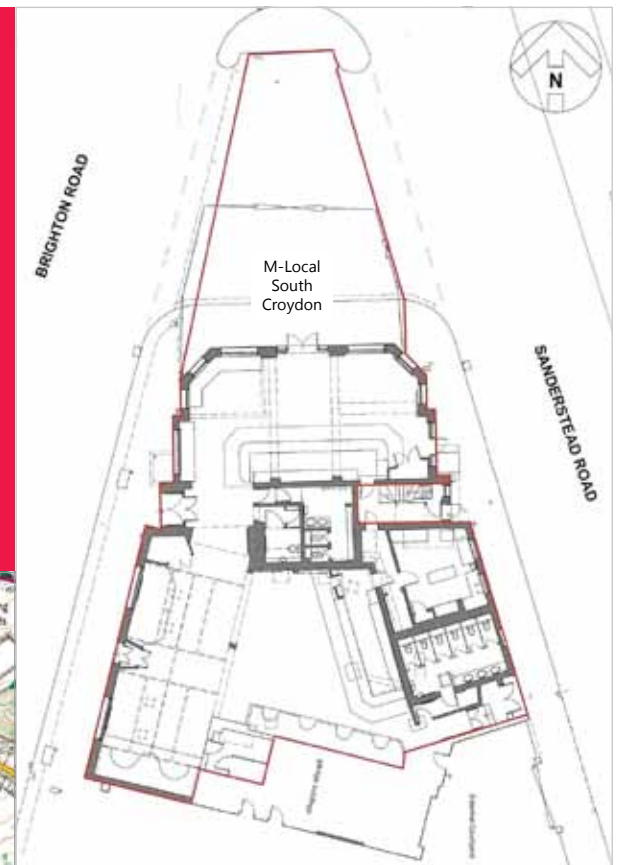


SITUATION

The property is situated 2 miles to the south of Croydon town centre, 1.5 miles north east of Purley and 1.5 miles north west of Sanderstead. The property occupies an extremely prominent position fronting the junction of Brighton Road (A235) and Sanderstead Road (B269).

The surrounding area is predominantly residential with some commercial uses interspersed throughout.

Sanderstead and Purley Oaks railway stations are both within a short walking distance of the property and there are a number of bus stops along Brighton Road.



DESCRIPTION

The property comprises a three storey brick built former public house which has been converted into a convenience store together with two self-contained residential apartments above.

Internally, the ground floor convenience store benefits from a well configured unit with storage which has been fitted out by Morrisons. The unit measures approximately 3,900 sq ft.

The upper floors provide self contained residential accommodation with a two bedroom apartment on the first floor, and a three bedroom apartment on the third floor.

Externally the property benefits from parking for up to nine cars at the front of the property.

The site is approximately 0.056 hectares (0.139 acres).



Retail sales area



Brighton Road & Sanderstead Road junction

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KEY INFORMATION

Tenure

Freehold.

Tenancy

The property is let on full repairing and insuring terms to Wm Morrison Convenience Stores Ltd for 15 years from 21 October 2013. There is a parent company guarantee from Wm Morrison Supermarkets Plc. The lease is subject to a tenant only break option on 21 October 2023 exercisable upon no less than six months' notice.

The passing rent is £80,000 pa which reflects £20.51 per sq ft overall. The rent is subject to five yearly upward only Retail Price Index (excluding mortgage payments) linked reviews with a cap and collar of 0% & 3%. The first review date is 21 October 2018.

EPC

The property has been given a 'C' rating (69) under current Energy Performance Regulations. A copy is available to download.

VAT

The property is elected for VAT and therefore VAT will be payable on the purchase price. It is anticipated that the transaction will therefore be treated as a Transfer of a Going Concern (TOGC).



Front elevation

TENANT COVENANT

Wm Morrison Supermarkets PLC



Morrisons is one of the largest chains of supermarkets in the UK with over 500 stores nationwide and part of the FTSE 100 index of companies. They have over 100 years of history and serve over 9 million customers weekly. Wm Morrison Convenience stores Ltd is a holding company of Wm Morrison Supermarkets Plc. In 2013, they have acquired over 80 M Local sites across the UK.

For the year ending 31/01/2013 Wm Morrison Supermarkets Plc. reported a turnover of £18.1bn and pre-tax profits of £879M. For the same period the company reported shareholder funds of £5.23bn. A summary of Morrisons three years accounts:

	Fiscal consolidated 31 Jan 2013	Fiscal consolidated 31 Jan 2012	Fiscal consolidated 31 Jan 2011
Sales Turnover	£18,116,000,000	£17,663,000,000	£16,479,000,000
Profit/(Loss) Before Taxes	£879,000,000	£947,000,000	£874,000,000
Tangible Net Worth	£4,815,000,000	£5,094,000,000	£5,236,000,000

Wm Morrison Supermarkets PLC has a Dun & Bradstreet credit rating of 5A1 which represents the 'Minimum Risk' of business failure.





PROPOSAL

We are instructed to seek offers for the freehold interest in excess of £1,260,000 (One Million, Two Hundred and Sixty Thousand Pounds) subject to contract and exclusive of VAT, which reflects a Net Initial Yield of 6.00%, assuming purchasers' costs of 5.8%.

Based on Experian's RPIX forecasts of 3.00% pa, this would provide the following yield profile:

Oct 2014	6.00%
Oct 2018	6.96%
Oct 2023	8.07%

Residential Apartments

Our client would consider disposing of the two residential apartments on the upper floors in addition to the retail element. Further details can be provided.

FURTHER INFORMATION

Further information is available in the data room at the web address below

<http://extranet.knightfrank.info/m-localsouthcroydon>

Username: M-LocalSC
Password: knightfrank

CONTACT

Charles Fletcher

T +44 (0) 20 7861 1450

M +44 (0) 7838 575 063

E charles.fletcher@knightfrank.com

Alex Munro

T +44 (0) 20 7861 1222

M +44 (0) 7798 725 196

E alex.munro@knightfrank.com

Knight Frank LLP
55 Baker Street
London, W1U 8AN

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