

Glencoe Road, Yeading, Greater London, UB4 9SQ

TESCO *extra*



Prime, Dominant, London Foodstore Investment Opportunity
With Annual RPI-Linked Uplifts

green & partners

Investment Highlights

- Yeading is an increasingly popular residential suburb within the M25, west of Central London benefiting from excellent transportation links with the A40, M40 and M4 nearby. Heathrow, the UK's expanding premier airport is 6.5 miles to the south-west.
- The area benefits from an extensive, young, catchment population with over 120,750 persons located within a 10 minute drive time and a borough population of circa 312,582 which is expected to grow significantly by 2024.
- **Yeading's retail offer is focussed on the Tesco Extra** in Glencoe Road, a busy and accessible location, adjoining the 125,000 sq ft **Willow Tree Lane Retail Park** (B&Q, B&M, Starbucks, Burger King)
- A substantial and strategic town centre site comprising circa **10.34 acres**, providing a well configured foodstore of **99,294 sq ft (9,224.57 sq m) GIA** of predominantly retail accommodation with an associated petrol filling station and a 599-space surface car park (1:166 sq ft). The surrounding area is predominantly residential.
- A prime dominant foodstore let to the undoubted covenant of **Tesco Stores Ltd (Tesco Plc guarantee)** until 11th August 2028 (9.2 years unexpired) on a non-assignable FR&I lease with the tenant having the option to extend for up to 30 years.
- Producing a current income of **£3,556,784 pax** subject to **annual RPI uplifts, collared at 1.5% and capped at 4%**.
- The **next rent increase is due on 29th September 2019** when the rent is projected to rise to **£3,663,345 pax (assuming circa 3% RPI)**.

Offers in excess of **£53,300,000 (Fifty-Three Million, Three Hundred Thousand Pounds)**, subject to contract and exclusive of VAT for the 999 year long leasehold interest. This reflects a **net initial yield of 6.25% rising to an estimated 6.44% in September this year** after purchaser's costs of 6.78%.



Prime, dominant foodstore let to the undoubted covenant of Tesco, the UK's leading grocery brand





Yeading

Yeading is a fast growing, popular and accessible residential district within the densely populated London Borough of Hillingdon located 3.5km (2.2m) north-east of Hayes, 2.9km (1.8m) south of Northolt, 5.6km (3.8m) east of Hillingdon and 23.8km (14.8m) to the west of Central London.

A popular, readily accessible residential west London suburb within the M25



Yeading benefits from excellent road communications situated off the A312 (The Parkway) a main north-south arterial route, circa 2.9km (1.8m) south of the A40. The M40 is 8km (5m) to the north-west and the M4 is 5km (3.1m) to the south.



Yeading is well connected. Hayes & Harlington station (GWR/TfL) is 5.8km (2.8m) to the south-west with journey times into London (Paddington) of circa 22 mins and Heathrow 6 mins. Northolt Underground station (Central Line) is circa 4km (2.4m) to the north. Various bus routes operate within the area, specifically Route E6 which stops outside the subject store.



Heathrow Airport, the UK's premier airport, is in close proximity located approximately 10.6km (6.5m) to the south-west. The airport's proposed expansion and development of a third runway will likely increase passenger capacity to over 130m (currently 78m) creating thousands of new jobs and business opportunities in the surrounding area.

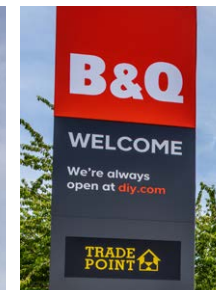


Situation

The property is easily accessible, situated on the outskirts of the town centre, just off the Willow Tree Roundabout, at The Parkway's (A312) junction with Glencoe Road. A busy commercial and densely populated residential area the property is adjacent to The Willow Tree Lane Retail Park (125,000 sq ft) where B&Q, B&M, Burger King and Starbucks are all represented.

There is a parade of eight shops (not included in the sale) adjoining the car park off Jolly's Lane, occupied by a range of national and local occupiers including Coral and The Post Office.

Extensive 10.34-acre site incorporating a 99,294 sq ft foodstore, PFS and 599-space surface car park





A312 THE PARKWAY

Willow Tree Roundabout



Willow Tree Lane Retail Park



TESCO
Petrol Filling Station

TESCO
Extra

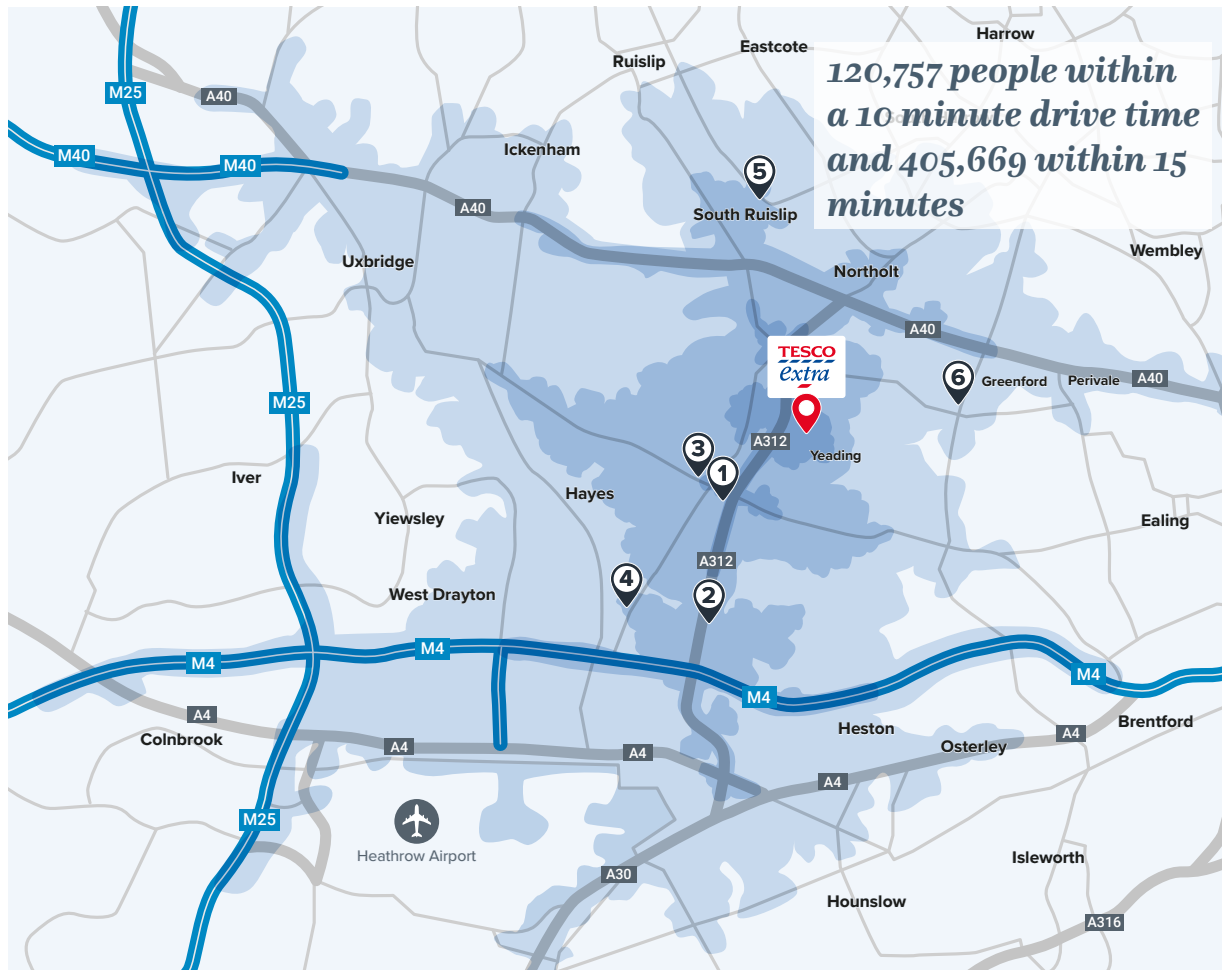
GLENCOE ROAD

Yeading Catchment & Demographics

Yeading lies in the east of the London Borough of Hillingdon and adjacent to the London Borough of Ealing.

The property benefits from a strong primary catchment with an estimated 120,757 residents living in 41,852 households within a 10-minute drivetime (Experian). This increases significantly to 405,669 residents living within a 15-minute drive time. Hillingdon's borough population of circa 312,582 (2019 estimate) has grown significantly since 2011 (circa 11%) with a further 5% growth anticipated to 328,273 by 2024.

Within the 10-minute drivetime 43.3% of the residents are within the AB & C1, social groupings and there is an over representation of 0-44 year olds. Experian identify the most significant Mosaic demographic groups as Urban Cohesion at 66.47% (residents of settled urban communities with a strong sense of identity) and Rental Hubs at 10.46% (educated young people privately renting in urban neighbourhoods). The total spend in the same isochrone is £21.87m and with the family income most represented in the £30,000-£39,999 bracket and most over-represented in the £60,000-£69,999 bracket when compared to the national average.



Foodstore Provision

Within a **5-minute drivetime** the competing food store provision over 20,000 sq ft, GIA, is as follows:

Sainsbury's

1. Lombardy Retail Park, Coldharbour Lane, Hayes, UB3 3EX
Located off the Uxbridge Road (A4020), the store extends to 110,338 sq ft GIA.

Within a **5 to 10-minute drivetime**:

TESCO Extra

2. Bulls Bridge, Hayes Road, Southall, UB2 5LN
Located on the Hayes Road, just off the A312, the store extends to 79,384 sq ft GIA.

LIDL

3. Uxbridge Road, Hayes, UB4 OSD
Located off the A4020 the store comprises 20,406 sq ft GIA

ASDA

4. Millington Road, Hayes, UB3 4AZ
Located just off the N Hyde Road (A437), the store extends to 87,177sq ft GIA

Sainsbury's

5. Long Drive, Ruislip, HA4 0HQ
Located adjacent to South Ruislip Station, the store comprises 66,356 sq ft GIA

TESCO Metro

6. Greenford Road, Greenford, UB6 8QY
Located on the Greenford Road (A4127) the store extends to 24,757 sq ft GIA

Description

This substantial, modern purpose built food store, occupies a 10.34 acre site and dominates its immediate catchment. The property was developed in 1992, subsequently extended in 2004/5 and comprises a predominantly single storey food store with an associated petrol filling station (16 pumps) and a 599 space surface car park (1:166 sq ft).

The property is fitted in the Tesco Extra livery and in addition to extensive retail sales provides an integral Café, Click & Collect, ATM, Pharmacy, Tesco Mobile/Travel Money kiosks and Vision Express.

The store is serviced at the rear from a separate walled and gated yard.

Accommodation

The property has a total approximate GIA of **99,294 sq ft** (**9,224.57 sq m**) and ground floor sales of circa **59,525 sq ft**.



Floor	Use	Sq Ft	Sq M
Main Store			
Ground	Sales/Café/Stock/Toilets	87,827	8,159.33
First	Offices/Staff	5,676	527.34
Second	Plant Room	611	56.76
	Sub-Total	94,114	8,743.43
Front Tower	Ancillary (Unused)	921	85.55
Mezzanine	Plant	966	89.70
External			
Ground	ATM	112	10.4
Yard	Van Shed	672	62.44
Yard	Store	2,246	208.62
Yard	Plant	263	24.43
	TOTALS	99,294	9,224.57



Site Area

10.34 acres (4.18 Hectares).

Tenure

The property is held long leasehold on a 999-year lease commencing on 12th August 2008 at a rent of £2pa (if demanded), without review.

The head lessee has the option to acquire the freehold of the store from Tesco (the freeholder) at anytime after the 50th anniversary of the lease for whichever is the higher of £1 or the value of any improvements carried out by the Landlord or its group companies (as Tesco is the Landlord and under-tenant).

Tenancy

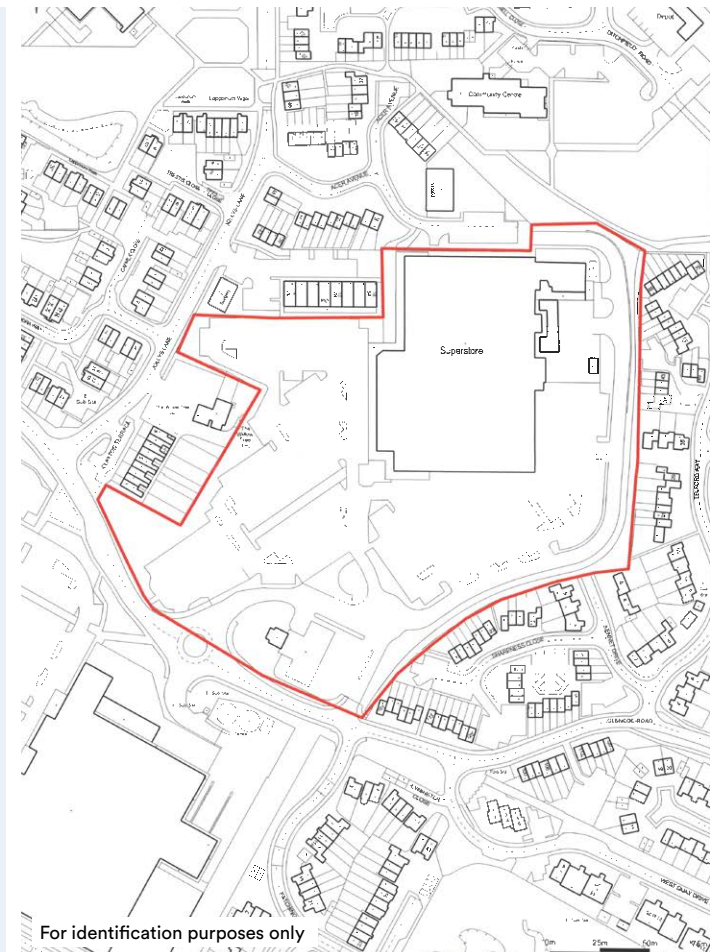
Tesco Stores Ltd (guaranteed by Tesco Plc) on a non-assignable, full repairing & insuring 20-year lease from 12th August 2008 (9.2 years unexpired) at a current passing rental of £3,556,784 per annum exclusive (reflecting circa £33 psf allowing for PFS (+7.5%) and fitted assumptions (+5%).

The rent is subject to annual RPI rental increases on 29th September each year collared and capped at 1.5% and 4% per annum.

The tenant has the option to renew the lease on three further occasions each for a term of 10 years. The renewal leases are assignable. The first and second are excluded from security of tenure provisions, the third is inside the Act. The rent agreed under the first further lease is the higher of the passing rent on expiry of the original 20-year lease or OMV which is then subject to annual RPI increases on the 29th September throughout the term (assuming 1.5%-4% collar & cap). The rent for the second and third further leases is based on the preceding year's rent inflated by RPI (assuming 1.5%-4% collar & cap).

Current Net Income

£3,556,784 pax (subject to further review on 29th September 2019)



Projected Cash-Flow

Assuming a forecasted RPI increase of 2.996% in 2019 (OBR) the passing rent will likely increase to **£3,663,345 pax** in September 2019 and potentially **£4,118,233 pax** by 2023. Adopting further forecasts the annual rent could increase as follows:

Year	RPI Forecast (OBR)	Potential Rent PAX	Running Yield
2019	2.996%	£3,663,345	6.44%
2020	2.766%	£3,764,673	6.61%
2021	2.977%	£3,876,747	6.81%
2022	3.070%	£3,995,763	7.02%
2023	3.065%	£4,118,233	7.24%

Source: OBR (Office for Budget Responsibility)

Covenant Strength

Tesco is the UK's leading grocery retailer with a current market share of circa 27.3% in May 2019 (12.1% ahead of the nearest, 'Big Four' competitor). The company trades over 6,800 stores around the world (3,400 in the UK), employing circa 450,000 (over 300,000 in the UK) with over 80m shopping trips estimated per week. The tenant, Tesco Stores Ltd (Co. No. 519500) is wholly owned by Tesco Plc (The Guarantor)

Tesco Stores Ltd (The Tenant)			
Financial Year End	24/02/2018	25/02/2017	27/02/2016
Sales Turnover	£41,367,000,000	£40,134,000,000	£39,843,000,000
Pre-tax Profit	£417,000,000	£266,000,000	(£231,000,000)
Net Worth	£4,071,000,000	£749,000,000	£1,077,000,000
Tesco Plc (The Guarantor)			
Financial Year End	24/02/2018	25/02/2017	27/02/2016
Sales Turnover	£57,491,000,000	£55,017,000,000	£54,433,000,000
Pre-tax Profit	£1,298,000,000	£145,000,000	£162,000,000
Net Worth	£7,819,000,000	£3,721,000,000	£5,752,000,000



Energy Performance Certificate

The property has an EPC rating of D88 (valid until 12/12/2028).

VAT

The property has been elected for VAT and any disposal will be by way of a Transfer of a Going Concern (TOGC).

Proposal

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Further Information

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