

LONG INCOME SUPERMARKET INVESTMENT LET TO ALDI WITH RPI LINKED REVIEWS & TOPPS TILES



INVESTMENT SUMMARY

- **Purpose Built Supermarket** let to **Aldi Stores Limited** and **Topps Tiles (UK) Ltd**
- **84%** of the **income** from **Aldi** with Shareholder funds of £2bn.
- **15 year lease** to **Aldi** with **RPI linked Rent Reviews** & option for further 15 years
- **Topps Tiles** have a **low passing rent** of just £11.58per sq ft
- **Additional development land included**

We are instructed to seek offers in excess of **£4,000,000 (Four Million Pounds)**, which reflects a **Net Initial Yield of 5.65%** after purchase costs of 6.54%.

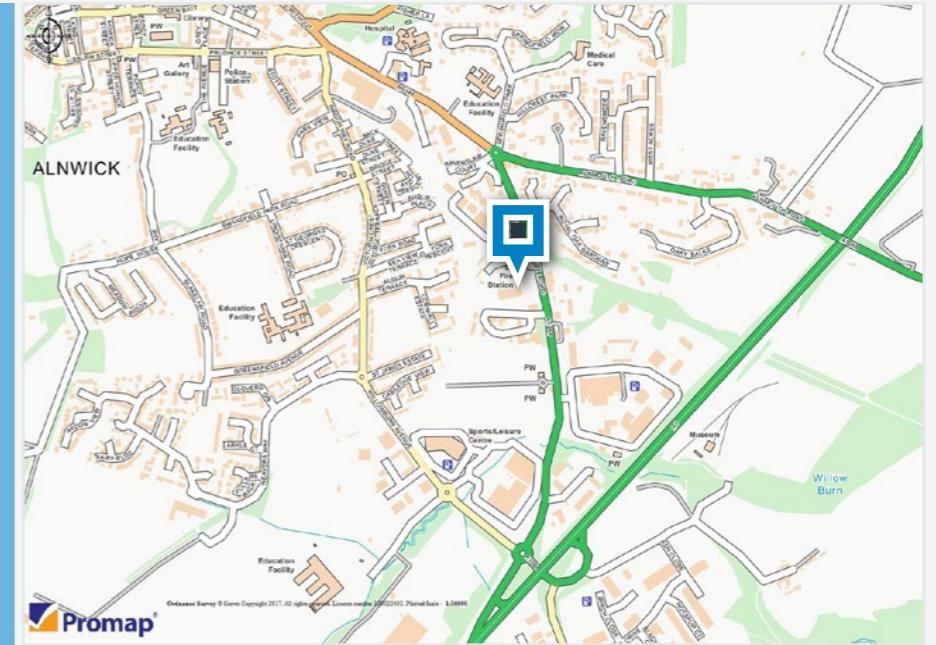


LOCATION

Alnwick is an affluent market town situated approximately 54 Kilometres (33 miles) north of Newcastle upon Tyne, and 30 Kilometres (18 miles) North of Morpeth and 138 Kilometres (86 miles) South of Edinburgh. The town is situated just off the A1 motorway the main UK link road, running north to South. The town is steeped in history and is the resident seat of the Duke of Northumberland whose ancestral home is Alnwick Castle. The town is also home to the world famous Alnwick Gardens, developed by the Duchess of Northumberland in 2002.

As a result of the gardens success Alnwick has become one of the major tourist attractions in the region and in a recent report by PWC suggested it had brought an additional £150m into the local economy. The town has continued to thrive as a result of this. Other notable awards include the nearby beach at Bamburgh was recently voted Britain's 2nd best beach by Time Out and Alnwick was voted as the best place to live in Britain a few years ago in a national survey.

Alnwick Castle was also used for the filming of Quidditch in the Harry Potter films and more recently Downton Abbey and the new Transformers film – The Last Knight.





SITUATION

The property is situated on western side of South Road, the main arterial route into Alnwick town centre from the A1, which gives it a strong roadside presence. Nearby occupiers include Homebase, Sainsbury's, Willowburn Sports Centre, Willowburn Industrial Estate and Hardy's of Alnwick.

DESCRIPTION

The property provides a purpose built single story Aldi Supermarket and standalone retail unit occupied by Topps Tiles. The units sit within a landscaped site together with 106 car parking spaces. The sale also includes additional development land comprising of 0.75 acres which could accommodate circa 929.02 sq m (10,000sq ft) of retail/trade counter or alternatively residential development. Aldi has recently fitted the unit to the new store format demonstrating their commitment to the location.





TENANCY SCHEDULE

| Property | Tenant | Lease Start | Lease end | Rent | Rent per sq ft | Rent Review | Break | Area sq ft | Repair & Insurance | Comments |
|------------------|----------------------|-------------|------------|----------|----------------|--|----------------------------|------------|--------------------|---|
| Supermarket | Aldi Stores Ltd | 15/10/2015 | 14/10/2030 | £201,218 | £12.32 | RPI between 1-2.5% 15/10/2020 & 15/10/2025 | N/A | 16,332 | FRI | The lease has the benefit of RPI based rent reviews between 1-2.5% compounded every 5 years. The tenant has an option for a further 15 years at expiry at the greater of open market or the preceding rent. |
| Retail Unit | Topps Tiles (UK) Ltd | 21/08/2015 | 16/01/2031 | £39,426 | £11.58 | Open Market upwards only 21/08/2020 & 21/08/2025 | 21/08/2018 & 21/08/2020 | 3,403 | FRI | Tenant has the option to break on 3rd & 5th anniversaries, subject to 6 months prior notice to Landlord in writing. |
| Development Land | Vacant | | | | | | | | | Development land of circa 0.75 acres which could accommodate circa 10,000sq ft of retail/trade counter or industrial space. Alternatively it would suite a small residential scheme or care home. |
| | | | | £240,644 | | | | | | |

TENURE

The property is held freehold.

ACCOMMODATION

The property has the following areas:

| Unit | Sq ft | Sq m |
|------------------|---------|-------|
| Aldi | 16,332 | 1,517 |
| Topps Tiles | 3,403 | 316 |
| Development land | 33,220* | 3,086 |

*0.75 acres

TENANT COVENANT INFORMATION

Aldi Stores Limited

Aldi is the UK's fastest growing and the 5th largest supermarket with over 700 stores and 29,000 staff. They currently have 7% of the UK grocery market and aim to grow this further by having 1,000 stores by 2022. A summary of their last three years accounts are set out below:

| Year End | 31st December 2015 | 31st December 2014 | 31st December 2013 |
|---------------------|--------------------|--------------------|--------------------|
| Turnover | £7,705,140,000 | £6,893,257,000 | £5,271,852,606 |
| Pre-tax Profit | £212,621,000 | £248,673,000 | £260,893,847 |
| Shareholder's Funds | £2,076,738,000 | £1,952,601,000 | £1,824,748,246 |

Topps Tiles (UK) Limited

Topps Tiles was originally founded in 1963 and has grown to be the country's largest tile specialist with 368 stores around the UK. It has traded as a listed company since 1997. A summary of their last three years accounts are set out below:

| Year End | 1st October 2016 | 3rd October 2015 | 27th September 2014 |
|---------------------|------------------|------------------|---------------------|
| Turnover | £214,994,000 | £212,180,000 | £195,192,000 |
| Pre-tax Profit | £23,479,000 | £21,561,000 | £14,496,000 |
| Shareholder's Funds | £34,204,000 | £24,548,000 | £13,284,000 |

RENTAL COMMENTARY

Both units were developed on an agreement to lease basis prior to development. The Aldi rent equates to £12.32 per sq ft, which we consider to be rack rented and in line with similar rents achieved on other units. The Topps Tiles unit equates to a rent of £11.58 per sq ft and we would consider this to be low for a unit of this size and nature and therefore rental growth is realistic from this level.

ASSET MANAGEMENT OPPORTUNITIES

There are numerous asset management opportunities with this property and we have set out below our thoughts on the various options available:

- 1. Development Land** - The additional land provides an opportunity to develop the site further, whether through the addition of retail units, trade counter, light industrial or residential. The site is well located and has good access and we believe all the above are viable options. Indicative plans of various options are available on request.
- 2. Remove the breaks from the Topps Tiles Lease.**
- 3. Split the Topps Tiles unit into 2-3 units for convenience/roadside food and delivery operators.** This would move the rent on considerably from the current level low level of £11.58 per sq ft.

EPC

| | Energy Rating |
|-------------|---------------|
| Aldi | A-23 |
| Topps Tiles | C-52 |

PROPOSAL

We are instructed to seek offers in excess of **£4,000,000 (Four Million Pounds)** excluding VAT. A purchase at this level would reflect a **Net Initial Yield of 5.65%** after purchaser's costs of 6.54%.

Assuming 2.5% growth per annum on the Aldi income this would give the following yield profile:

| Date | Yield |
|----------|-------|
| Purchase | 5.65% |
| 2020 | 6.27% |
| 2025 | 6.97% |

VAT

The property is elected for VAT and it is anticipated that the sale will be treated as a TOGC.



See drone footage of the building and site

FURTHER INFORMATION

For further information or to arrange an inspection, please contact:

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