

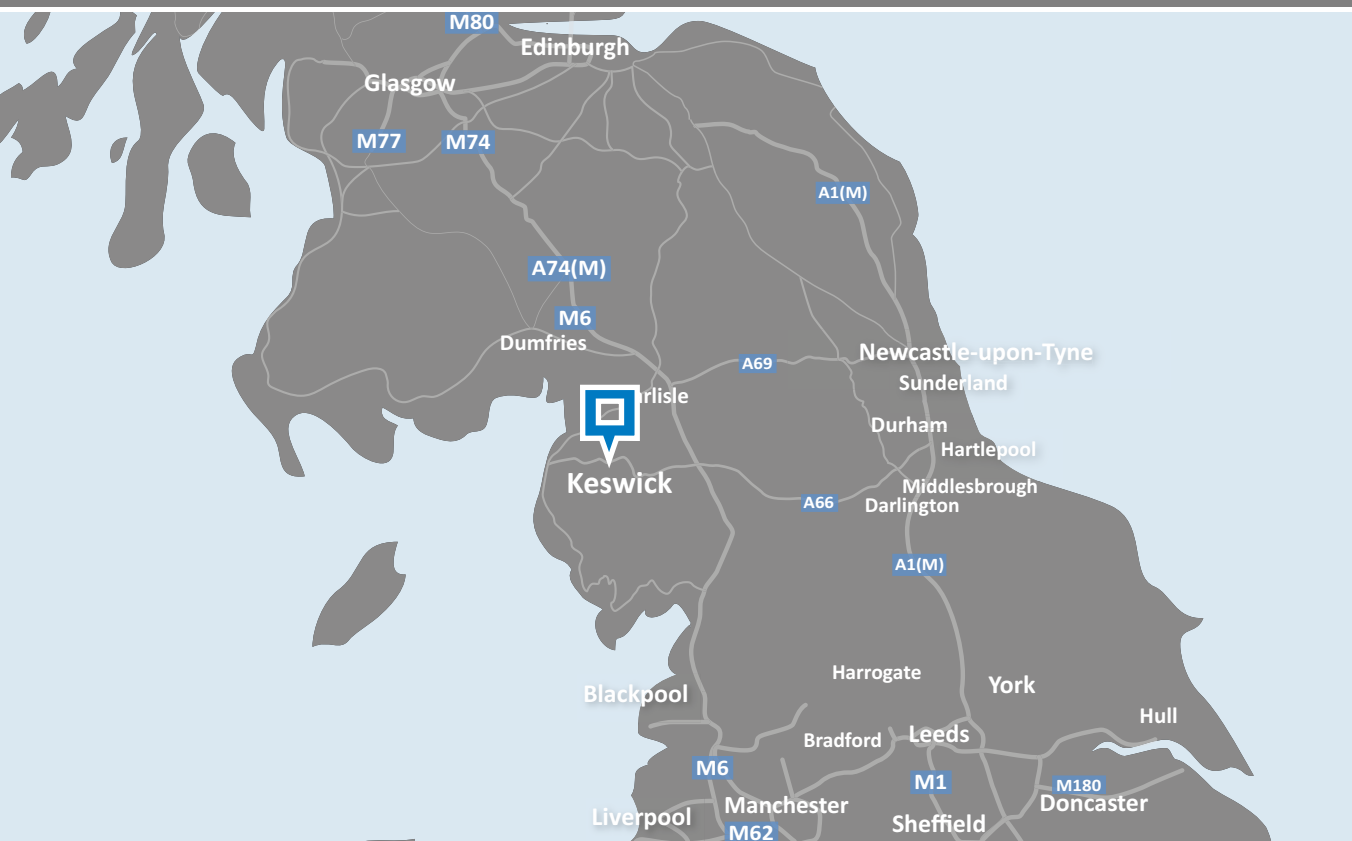
MIXED USE TOWN CENTRE INVESTMENT WITH ASSET MANAGEMENT POTENTIAL



MUSEUM SQUARE, KESWICK CUMBRIA CA12 5DZ

INVESTMENT HIGHLIGHTS

We are instructed to seek offers in excess of **£3,000,000** which reflects a net initial yield of **8.38%** after costs of 6.45%.



LOCATION

Keswick is a busy market and tourist town situated in the heart of the Lake District National Park, which was designated a UNESCO World Heritage Site in 2017. The town is 31 miles south of Carlisle, 30 miles north of Kendal and 88 miles west of Newcastle upon Tyne. It lies on the banks of Derwentwater, one of the largest lakes in the Lake District.

Keswick is easily accessible, being just 16 miles west of the M6 Motorway, one of the Country's main north/south routes. It is also accessible by train, with the West Coast main line stopping at Penrith, which lies just 17 miles to the east of Keswick. There are also numerous bus services running nationally and locally into the town.





ECONOMY

Tourism is a huge part of the Cumbrian economy and Keswick is at the centre of this industry. According to 'Cumbria Tourism', Cumbria and the Lake District received 47 million visitors in 2018. This brought in £3bn to the local economy and provides employment for 37,766 full time jobs. In total the county has 64,940 tourist jobs. Tourism revenue increased 3.7% on the previous year and has increased every year since 2013.

Staying visitors grew by 0.7% and staying visitor nights grew by 1.9%, which equates to an extra 49,000 visitors and 410,000 bed nights. The increase has been driven by non-services accommodation (self-catering, caravan and camping). Non services accommodation spend has increased by 12.8%.

The Cumbria Tourism statistics are in line with the growth in the tourism market in the UK as a whole. According to Deloitte in a report commission by VisitBritain, since 2010 tourism

has been the fastest growing sector in the UK. The UK is forecast to have a tourism industry worth £257 billion by 2025. The sector is predicted to grow at an annual rate of 3.8% through to 2025, significantly faster than the overall UK economy which is forecast to grow by 3% per annum. It is expected that just under 10% of UK GDP will be derived from Tourism and supporting 3.8 million jobs by 2025.

Inbound tourism will continue to be the fastest growing tourist sector, with spend by international visitors forecast to grow by over 6% a year. The value of inbound tourism is expected to grow from £21bn in 2013 to £57bn by 2025.

Carlisle Lake District Airport launched commercial flights in July 2019 to take advantage of the growing number of tourists being attracted to the Lake District.



SITUATION

The property is situated between Main Street and Heads Road in the centre of Keswick. It lies just off the pedestrianised market square and close to the town's main 'Central' car park. Nearby occupiers include Blacks, Millets, Fat Face, Co-op, Trespass and Booths supermarket.

DESCRIPTION

The property is a mixed use block, consisting of retail, office and residential. There is a central mall running north/south between Main Street and Heads Road. The ground floor provides 9 retail units. There is a first floor office suite fronting Heads Road, a first floor leisure unit and 2 residential flats.

The property is of traditional block construction over ground and first floor under a series of predominately flat roofs. The finish is of painted render. The ground floor retail units all have glazed frontages. The two parades are bridged by a skyway at first floor level between units 6 and 9.



TENURE

The property is freehold.

ACCOMMODATION

The property provides a mixed use scheme of approximately 28,495sq ft over 2 floors.

RENTAL COMMENTARY

There have been a number of lettings within Keswick which show there is provable rental growth to be had. Some of the key lettings within the town are set out below:

Property	Tenant	Zone A	Date	Comment
2 Main Street, Keswick	The Cornish Bakery	£74	Q2 2018	New letting of the former Co-op Bank
11 Market Square, Keswick	Sea Salt	£67.86	Q1 2018	New letting of the former HSBC unit
73 Main Street, Keswick	Millets	£76.63	Q1 2016	New letting to Millets

Given the recent lettings both within the scheme and the wider town, we consider the property to be highly reversionary. Further details can be found in the table below.

SERVICE CHARGE

The service charge is currently running at circa £1.65per sq ft for the scheme, which we consider to be exceptionally low for a scheme of this nature. The proposed budget for 2019 is £46,280. This included some capital works items such as the roof works which have been carried out and there are some tenants with limited liability (see table). Now the works are complete there will be very little capital expenditure required in the coming years and the remaining service charge without any exceptional capital sums is currently running at circa £1 per sq ft. Further service charge information can be provided on request.

COVENANT

The income is split between 11 tenants, with 60% of the income to strong covenants with an international score of either A or B, indicating either ‘very low risk’ or ‘low risk’ of business failure. The remainder of the income is derived from independent business. Some additional financial information is set out below:

Tenant	Creditsafe Score	Rating	Turnover	Profit	Shareholder’s Funds	Comment
The Edinburgh Woollen Mill Ltd	93/100	A	£253.5m	£32.1m	£121.4m	The Edinburgh Woollen Mill group has a combined turnover in excess of £935m and Shareholder funds of £406m.
Oxfam	66/100	B	£427.2m	-£11.5m	£84.2m	Oxfam is one of the world’s best known charities. It trades from over 650 stores in the UK and funds a range of charitable activities globally
Archipelago Ltd	72/100	A	-	-	£31,000	Archipelago Choice is an independent travel agent. They have been trading in Keswick for over 20 years.
Kirkbride Eyecare Ltd	66/100	B	-	-	£46,000	Kirkbride Eyecare is an independent firm of Opticians founded in 2014.
British Heart Foundation	72/100	A	£140.2m	-£2m	£82.9m	The British Heart Foundation is a UK based charity focused on providing research into heart disease, Strokes, vascular dementia and diabetes.

ASSET MANAGEMENT

In our opinion there is an opportunity to significantly enhance the value of the property in the short to medium term. The asset management opportunities include:

- Carry out the outstanding rent reviews and lease renewals at market rents to improve the rental income significantly. Based on the new evidence within the scheme and our opinion of market rent the reversionary yield would be in the region of 10.22%.
- Planning permission has been granted to extend the frontages of units 7 & 8 under the canopy. This would provide an additional 500sq ft of retail space (see CGI’s on back page).
- Sell off the 2 residential units. There is significant demand for residential flats in Keswick with values in the region of £250,000 to £300,000. Convert more of the upper floors to residential.
- Re-position/Redevelop the block using the existing fabric to provide a leisure scheme to capitalise on the growing tourist industry. In our opinion the scheme could be re-positioned to provide a 29,000 sq ft leisure scheme consisting of a boutique cinema and 4 or 5 supporting leisure units. A scheme such as this would produce in the region of £475,000-£500,000 per annum (£17-17.50 per sq ft overall). We believe a scheme of this nature would significantly enhance the town offering and have an end value in the region of £10m.

The UK spend on leisure in 2018 was £129bn, a 17% increase from 2013. This figure is forecast to grow to £141bn by 2022 (Mintel).

The combination of The Lakes District being awarded World Heritage Status, the increased visitor numbers, growth in UK Tourism and the growth in the leisure industry make this opportunity particularly attractive.

TENANCY

Unit	Tenant	Start	Expiry	Break option	Next RR	Rent per annum	Ground	ITZA	1st Floor	Zone A	ERV	ERV (Zone A)	EPC Rating	Comment
Unit 1a	Oxfam	14-Feb-13	13-Feb-23		14-Feb-18	£11,500	1,063	727		£18.58	£14,500	£20.00	E-105	Break not excercised in 2018
Unit 1b	Archipelago Choice Ltd	19-Apr-14	18-Apr-24		19-Apr-19	£5,750			958	£5.22	£9,500	£10.00	D-95	1st floor. Break 19.04.20 & 19.04.23. 6 months notice required.
Unit 1-2	Oxfam	14-Feb-13	13-Feb-23		14-Feb-18	£20,000	1,620	1,010	2,191	£16.11	£27,650	£22.50	E-105	Break not excercised in 2018
Unit 3	Kirkbride Eyecare Limited	02-Apr-19	01-Apr-24	02-Apr-22	-	£10,000	766	504		£19.84	£11,250	£22.50	C 58	Rent for years 1 & 2 of £7,750pa. Vendor will top up to £10,000pa on completion
Unit 4/5	Hospice at Home Carlisle & North Lakeland	29-Sep-03	28-Sep-23	-	29-Sep-18	£17,500	1,589	988	1,544	£14.59	£25,000	£22.50	E-113	Lease currently being assigned to Hospice at Home.
Unit 6	Richard Walmsley & Wendy Walmsley	10-May-19	09-May-29	10-May-24	10-May-24	£17,500	1,517	1,051	1,301	£14.18	£29,000	£25.00	D-89	Trading as Thyme café bar & bistro.
Unit 7	U/O British Heart Foundation			-	-	£25,000	1,485	864	725	£27.05	£25,000	£27.05	D-89	Unit under offer. New 10 year lease with a break at year 5 (6 months notice) at £25,000pa. The tenant has the benefit of 6 months rent free by way of half rent for the 1st year. The unit is to be extended by pulling the unit out to the front of the canopy. Further information on request.
Unit 8	The Edinburgh Woollen Mill Ltd	01-Jan-01	31-Dec-15	-	-	£72,000	1,521	1,058	2,202	£67.52	£72,000	£67.52	D-89	Lease renewal discussions on going. The first floor is classed as tenant improvements.
Unit 9a	Neil Norton & Theresa Norton T/A Lakeland Toys & Hobbies	01-Jan-19	31-Dec-28	01/01/2020 - annual	01-Jan-24	£31,833	3,114	1,699		£18.74	£42,500	£25.00	C -64	There is a stepped rent in place as follows: 2019 - £35,000, 2020 - £37,000, 2021 - £39,000, 2022 onwards £40,000. The tenant also has the benefit of 2 months rent free in January & February each year until 2023. We have assumed an average rent over the period of £31,833pa.There is 6 months notice to break. Tenant has a limited repairing liability on the roof.
Unit 9 b	Andrew William Wallace T/A Puzzling Places	01-Mar-17	28-Feb-27	01-Mar-22	01-Mar-22	£13,750			1,564	£9.59	£15,650	£10.00	C-64	The Tenant has the benefit of rent free every March until 2021. The headline rent is £15,000pa. We have assumed an average rent.
Unit 10	Neil Norton & Theresa Norton T/A Lakeland Toys & Hobbies	12-Mar-19	11-Mar-29	12-Mar-24	12-Mar-24	£28,333	2,982	1,586	1,383	£16.43	£38,750	£22.50	C-70	The headline rent is £34,000per annum. The tenant has the benefit of 2 months rent free between 12th March and 11th May each year until 2023. There is 6 months notice to break. Tenant has a limited repairing liability on the roof. We haver assumed an average rent over the year.
Flat 1	Roy & Carol Johnson	22-May-18	21-May-19	-	-	£7,800			829	-	£7,800	-	C71	Let by way of AST
Flat 2	R Armitage	01-May-15	30-Apr-16	-	-	£6,600			829	-	£7,800	-	C71	Let by way of AST (2nd floor)
						£267,566	15,657		13,526		£326,400			



CGI's of potential scheme refurbishment



PROPOSAL

We are instructed to seek offers in excess of **£3,000,000**, which reflects a net initial yield of **8.38%** after purchaser's costs of 6.45% and a reversionary yield of **10.22%** based on carrying out the rent reviews and lease renewals to market rent.

VAT

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

CONTACT



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Misrepresentation Act: These particulars shall not form part of any offer or contract and no guarantee is given as to the condition of the property or the accuracy of its description. An intending purchaser or tenant is not to rely on any representation made in these particulars and must satisfy himself as to their accuracy by his own investigation before entering into any contract. October 2019.