

RAPLEYS

# TESCO & DUNELM

VICTORIA STREET • GRIMSBY • DN31 1QS

Prime retail investment opportunity





## 01

## INVESTMENT SUMMARY

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- Grimsby is an important commercial and retailing centre in north east Lincolnshire
- The subject property is prominently located on the A16, Victoria Street, the principal arterial road to Grimsby town centre from the A180
- Situated within the main retail pitch in the town in close proximity to Victoria Retail Park, Alexandra Retail Park and High Point Retail Park
- Modern development comprising a well configured foodstore and retail warehouse unit, together with significant dedicated surface car parking
- The foodstore is let to Tesco Stores Limited via an assignment from Woolworths plc, expiring 6 June 2024, at a passing rent of £1,372,000 per annum (equating to £14.90 psf on ground floor)
- The retail warehouse unit is let to Dunelm (Soft Furnishings) Limited via assignment from DSG Retail Limited, for a term of 25 years from 31 March 2004, expiring 30 March 2029, at a passing rent of £189,514 per annum (£13.11 psf). There is a tenant break option on 30 March 2019
- The property produces a total income of £1,561,514 per annum
- The property provides a WAULT of 8.3 years (7.1 years to break)
- Both units benefit from an unrestricted Open A1 planning consent

We are instructed to seek offers in excess of **£20,450,000 (Twenty Million, Four Hundred and Fifty Thousand Pounds)**, subject to contract and exclusive of VAT. A purchase at this level reflects a **Net Initial Yield of 7.15%**, assuming **purchaser's costs of 6.75%**.



## 02

## LOCATION

Grimsby is the principal commercial and retailing centre of north east Lincolnshire. The town is situated approximately 70 miles east of Leeds, 50 miles south east of York and 44 miles north east of Lincoln.

Grimsby benefits from strong road communications with the M180 providing convenient links to the M62, M1, A1 (M) and wider national motorway network.

There are regular rail services to Doncaster which provides direct links to London with a fastest journey time of 1 hour 37 minutes. There are further services to surrounding centres including Cleethorpes, Scunthorpe, Manchester and Newark North Gate.



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SITUATION

The property is prominently positioned fronting Victoria Street (A16) which forms the principal route from the A180 to Grimsby town centre. The property is situated at the junction of Victoria Street South (A16) and Market Street, providing convenient access to Grimsby town centre and the Freshney Place Shopping Centre.

The property is situated within an established retail cluster which forms the principal retail warehouse provision in Grimsby, centred around Victoria Street. The property sits adjacent Victoria Retail Park, where tenants include Next, Sports Direct, Smyth Toys, Brantano and Poundstretcher. High Point Retail Park and Alexandra Retail Park are also in close proximity. Other notable occupiers trading in the surrounding area include Asda, The Range and B&M.

FOODSTORE COMPETITION

The subject property comprises the second largest foodstore in the catchment.

Other foodstore provision in the area includes:

- Asda (128,000 sq ft)
- Sainsbury's (56,000 sq ft)
- Morrisons (81,000 sq ft)



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RETAIL WAREHOUSE PROVISION

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The subject property is situated within the main retail pitch in the town.

Other retail warehouse provision in the surrounding area includes:

- 1 Victoria Retail Park – Brantano, Sports Direct, Smyths Toys, Next & Poundstretcher (50,904 sq ft)
- 2 The Range (36,610 sq ft)
- 3 Alexandra Retail Park – Matalan, SCS, Iceland Food Warehouse, Pets at Home, Poundstretcher, Pet Hut & Argos (130,400 sq ft)
- 4 High Point Retail Park – Currys/PC World, Carpetright & Maplin (32,515 sq ft)
- 5 B&M (35,113 sq ft) and Home Bargains (15,997 sq ft)





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DESCRIPTION

Unit 1 comprises a modern foodstore of steel frame construction with glazed elevations and profiled steel cladding above. Internally, the Tesco unit provides a mezzanine level amenity / storage block, side service area and canopy. Service access is provided via Market Street into the delivery yard incorporating a service area with two loading doors, one incorporating a dock leveller.

Unit 2 comprises a purpose built retail warehouse unit comprising elevations of exposed full height facing brickwork, together with glazed entrance and trading mezzanine floor. Access and egress to the unit is via King Edward Street, to the rear of the property.

Externally both units have separate access, dedicated parking and servicing. The foodstore benefits from 365 surface car parking spaces, together with a separate staff car park of 36 spaces, equating to a ratio of 1:229 sq ft. Dunelm have 57 spaces, equating to a ratio of 1:254 sq ft.



ACCOMMODATION

Unit 1 – Tesco

Ground Floor sales / storage	91,759 sq ft	8,524 sq m
Mezzanine	7,596 sq ft	706 sq m
Covered Loading Area	906 sq ft	84 sq m
Canopy	790 sq ft	73 sq m
Total	101,051 sq ft	9,387 sq m

Unit 2 – Dunelm

Ground Floor sales / storage	14,454 sq ft*	1,343 sq m
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\*there is an unrentalised mezzanine of 13,135 sq ft (1,220 sq m)





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## CATCHMENT

The total population within the Grimsby primary catchment area is extensive at 256,000 with an estimated shopping population of 183,000. (Source PROMIS).

The catchment population within a 10, 15 and 20 minute drive time are as follows:

10 minute drive	114,202
15 minute drive	162,129
20 minute drive	175,204

## SOCIO ECONOMIC PROFILE

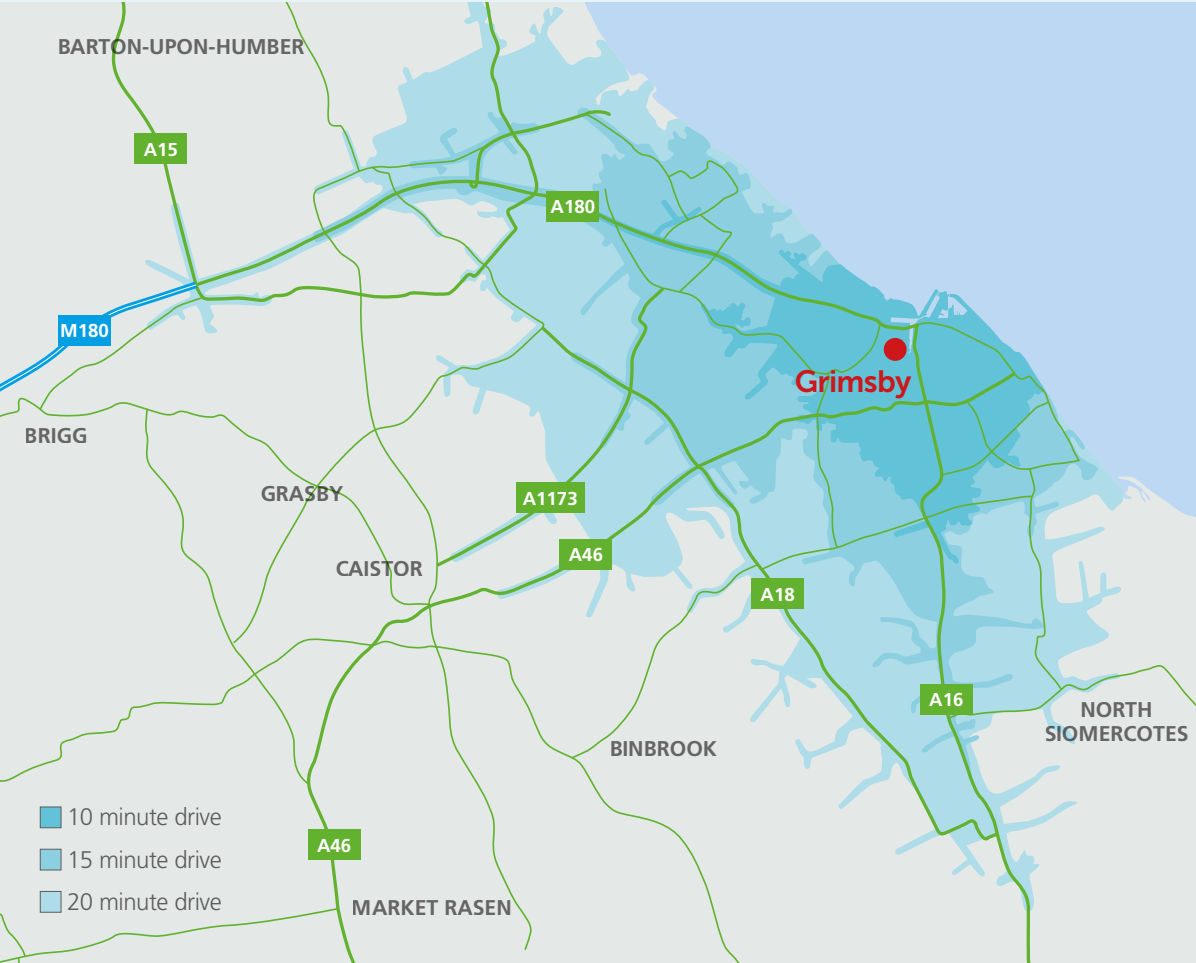
Grimsby is undergoing significant regeneration as part of a 25 year vision for the town, including the recently completed £6m town centre regeneration project, key developments on the docks and various leisure developments in the town centre.

A significant portion of the local workforce are employed by around 500 food-related businesses, ranging from the modernised fish docks and market, through to the global headquarters of major food brands like Young's.

The service sector accounts for 71% of total employment in Grimsby, with financial & business services accounting for 15% of total employment. The manufacturing sector accounts for 12% of total employment.

Beyond this, the rise of new industries such as those supporting offshore renewable energy are helping to create employment opportunities and a diversified and more prosperous local economy.

The level of home and car ownership in Grimsby is broadly in line with the national average with around 75% of households owning at least one car.



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TENANCIES

Unit 1 is let to Tesco Stores Limited on assignment from Woolworths plc for a term of 20 years from 7 June 2004, expiring 6 June 2024, as a passing rent of £1,372,000 per annum (equating to £14.90 psf on ground floor).

Unit 2 is let to Dunelm (Soft Furnishings) Limited on assignment from DSG Retail Limited for a term of 25 years from 31 March 2004, expiring 30 March 2029. There is a tenant break option on 30 March 2019. The passing rent is £189,514 per annum (£13.11 psf).

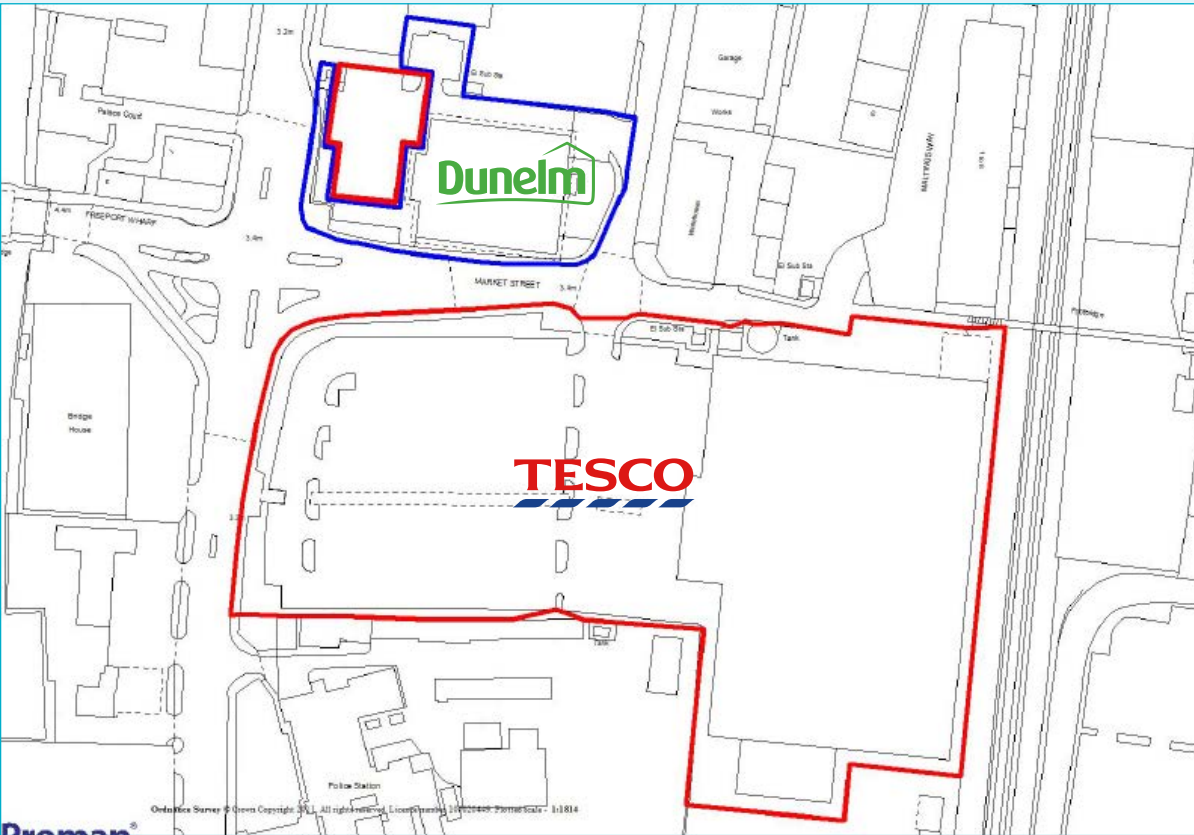
Tenant	Lease start	Lease Expiry	Break Option	Rent Per annum (psf)
Tesco Stores Limited	07/06/2004	06/06/2024		£1,372,000 (£14.90)
Dunelm (Soft Furnishings) Limited	31/03/2004	30/03/2029	30/03/2019	£189,514 (£13.11)

FOODSTORE RENTAL ANALYSIS

Tesco	Size (sq ft)	Rent psf	Rent pa
Ground Floor	90,259		
Lobby Area	1,500		
Total Ground Floor	91,759	£14.90	£1,367,209
Covered Loading Area	906 (20%)	£2.98	£2,670
Canopy Over Dock	790 (25%)	£3.73	£2,943
Total			£1,372,822
Say			£1,372,000

TENURE

The majority of the site is held Freehold, outlined in red below, save for the area of land edged blue which is held long leasehold for a term of 999 years from 27 March 2003, at a peppercorn.



\* for illustrative purposes only



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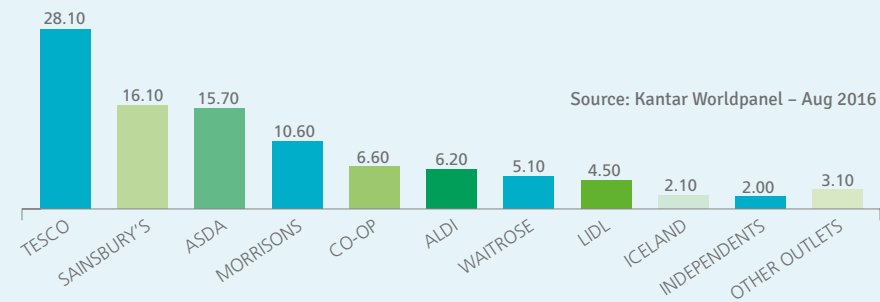
TENANTS' COVENANT

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Tesco Stores Limited

Tesco remains one of the world's largest retailers operating from 6,902 stores and employing in excess of 476,000, globally. The UK operations remain the largest within the Group trading from 3,500 stores nationwide and employing in excess of 310,000 people. Tesco plc has a market capitalisation of £14,521,576,000 and is a constituent of the FTSE100.

Tesco continues to dominate the UK's grocery sector with a current market share of 28.1%, significantly ahead of its nearest rival Sainsbury's, with a current market share of 16.1%. Recent trading figures are more positive with UK like-for-like sales growth of 0.3% (volumes up 2.2%, transactions up 1.7%), following a difficult period and continuing pressure from the discount operators.



For the year ending February 2015, Tesco plc reported a group operating profit of £1.4 billion and disclosed a one-off impairment charge of £7.0 billion which included write-downs on property and overseas operations.

The most recent financial results for Tesco Stores Limited are summarised below:

Year Ending	28/02/2015	22/02/2014	23/02/2013
Turnover	£42,278,000,000	£42,547,000,000	£42,662,000,000
Pre-tax Profit	(£3,727,000,000)	£1,696,000,000	£921,000,000
Tangible Net Worth	(£98,000,000)	£3,038,000,000	£3,113,000,000

Dunelm (Soft Furnishings) Limited

Dunelm (Soft Furnishings) Limited is a wholly-owned subsidiary of Dunelm Group plc, which has a current market capitalisation of £1,721,766,000 and is a constituent of the FTSE250. It began operations in 1987 and has grown to become one of the leading specialist out-of-town homeware retailers in the UK, providing a comprehensive range of curtains, soft furnishings, kitchen equipment and homeware.

Dunelm is now the UK's largest home furnishings retailer, employing in excess of 4,500 people with over 130 stores across the UK.

Dunelm (Soft Furnishings) Limited has the highest Dun and Bradstreet rating of 5A1, representing a 'minimum risk' of business failure. The most recent summary accounts for the company are set out below:

Year Ending	04/07/2015	28/06/2014	26/06/2013
Turnover	£835,805,000	£730,152,000	£677,192,000
Pre-tax profit	£118,442,000	£114,471,000	£106,426,000
Tangible Net Worth	£88,072,000	£31,018,000	£47,877,000



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PLANNING

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The original planning permission was granted on 18 July 2002 (ref: DC 419/01/MAR). The description of the development stated 'non food' retail development, with associated servicing and car parking, although no conditions are attached to the permission to restrict the type of goods to be sold or the amount of floorspace for retail sales.

It is understood that the larger unit was intended for use by a Woolworths Big W superstore but Woolworths never occupied the premises. Following completion of the development, Tesco were the first occupants and used it for non-food retail sales, thus ensuring that the 2002 permission was lawfully implemented.



Subsequently, Tesco commenced using the building as a Tesco Extra superstore, selling food and non-food goods, and in September 2007 the Council issued a Certificate of Lawfulness of the Existing Use which confirms that the lawful use is an unrestricted retail use (Use Class A1).

The Dunelm unit has to-date been used for the sale of non-food goods. With the lawful implementation of the 2002 planning permission in respect of the building and since the permission does not restrict the types of goods to be sold, the Council issued a Certificate of Lawfulness of Proposed Use in December 2007, confirming that use of the building for an unrestricted (food and non food) retail use (Use Class A1) is lawful, as for the foodstore unit.

Both units therefore have the benefit of a lawful, open and unrestricted A1 use.







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VAT

The properties have been elected for VAT purposes and it is anticipated that the investment sale will be treated as a TOGC.

EPC

Energy Performance Certificates are available upon request.

PROPOSAL

We are instructed to seek offers in excess of **£20,450,000 (Twenty Million, Four Hundred and Fifty Thousand Pounds)**, subject to contract and exclusive of VAT. A purchase at this level reflects a **Net Initial Yield of 7.15%**, assuming **purchaser's costs of 6.75%**.

FURTHER INFORMATION

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