

TESCO



Convenience Store Investment

StewartMontrose

Tesco, 44 High Street, Beighton, Sheffield, S20 1EA

Investment Summary

- The property is located in Beighton a suburb of Sheffield city centre
- Situated in Beighton High Street
- Let to Tesco Stores Ltd for 20 years from March 2015 (break in the 10th and 15th year)
- 5 yearly RPI linked reviews (collared at 1% and capped at 4%)
- Current rent £48,000 pa (£10.05 psf overall)
- Freehold
- Offers in the region of **£675,000**
- Net initial yield of **6.76%**, assuming purchasers costs of 5.24%

Location

Sheffield is the principal administrative centre in South Yorkshire located approximately 33 miles south of Leeds and 38 miles east of Manchester. The city benefits from excellent road communications with the M1 motorway passing immediately to the north and east of the city providing direct access to the national motorway network. Sheffield main line station provides a regular and direct service to London St Pancras, with a travel time of approximately 2 hours.

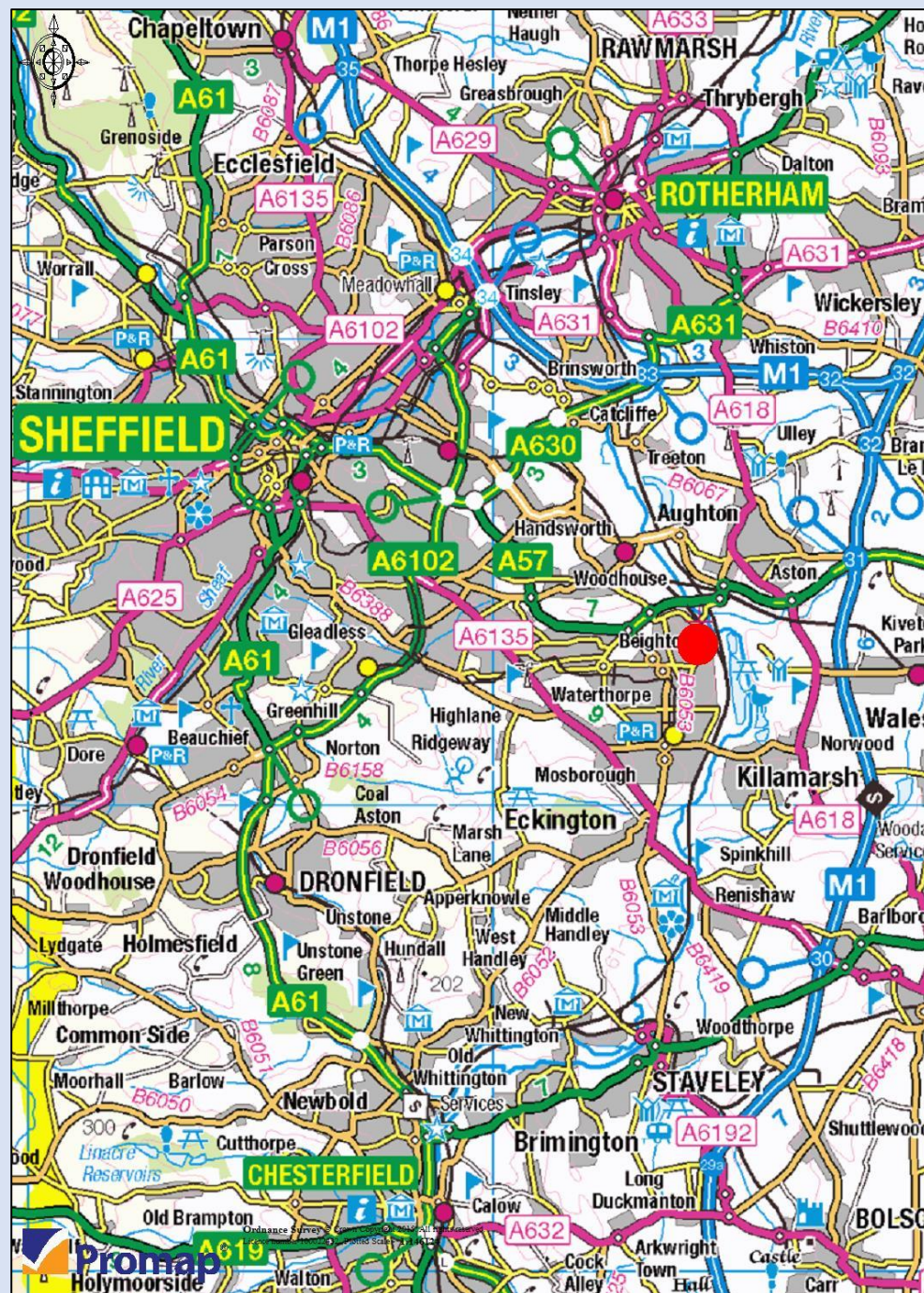
Sheffield has an urban population of approximately 563,000 persons and is a major retail destination for the region with facilities of Meadowhall Shopping Centre and The Moor Shopping Centre.

Situation

Beighton is a suburb of Sheffield city centre situated approximately 8.5 miles south east of the city centre. Beighton lies immediately south of the A57 a major arterial route linking Sheffield city centre and junction 31 of the M1 motorway approximately 2 miles to the east. Crystal Peaks Retail Park and Drake House Retail and Leisure Park are approximately 2 miles west of Beighton.

The property fronts Beighton High Street, where the majority of the commercial units are located. In the vicinity there is a Premier Express convenience store with an incorporated post office and a co-op convenience store, which offer limited competition.

Beighton is a pleasant residential area and thus due to the large amount of residential accommodation within the immediate vicinity, the property benefits from a substantial localised walk-in catchment.



Description

The property comprises a two storey building with a single storey extension to the rear, which has recently undergone a comprehensive refurbishment in order to provide a convenience store at ground floor level with ancillary accommodation on the first floor. We understand the unit provides circa 3,174 sqft (GIA) on the ground floor and circa 1,603 sqft (GIA) of ancillary accommodation on the first floor. In addition to the side is an ATM.

The site extends to approximately 0.45 acres and provides 16 car parking spaces

Tenancy

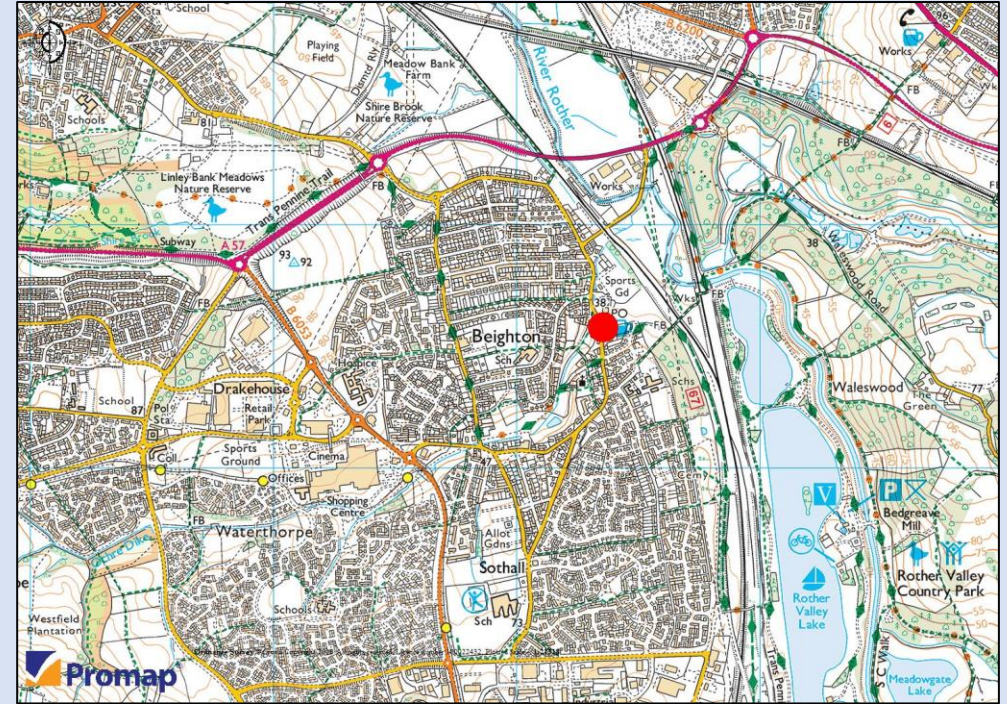
The entire property is let to Tesco Stores Ltd for a term of 20 years from 16 March 2015 on FR&I terms. The lease incorporates a tenant only break option on the expiry of the 10th and 15th year, subject to 6 months written notice.

The passing rent is £48,000 per annum (£10.05 psf overall). The rent will be increased 5 yearly on a compound RPI upward only basis. There will be a minimum collar to the reviews of 1% and a cap of 4% per annum.

Based on conservative assumed annual RPI growth of 2.0% over the duration of the lease the rent would increase to:

Year 6-10 - £52,996 pa

Year 11-15 - £58,512 pa



Covenant

Tesco remains one of the world's largest retailers operating from 6,902 stores and employing 476,000, globally. The UK operation remains 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 £17.22 bn and is a constituent of the FTSE 100.

Tesco continues to dominate the UK's grocery sector with a current market share of 28.2%, significantly ahead of its rival Sainsburys, with a current market share of 16%. The recent figures from Kantar Worldpanel for the 12 weeks ending 9 October 2016 reported Tesco increasing sales by 1.3%, making the company's first year-on-year market share gain since 2011. This is following a difficult period and continuing pressure from the discount operators.

For the year ending February 2016, Tesco plc reported a turnover of £54bn and a pre-tax profit of £162m and tangible net worth of £5.752bn. The company's first half of 2016/17 they reported a group operating profit (before exceptionals) of £596m, an increase by more than 60%.

Tesco Plc is the ultimate parent company of Tesco Stores Ltd, the company reported the following key financial results for the last 3 years:

Tesco Stores Ltd	27/02/2016 (000's)	28/02/2015 (000's)	22/02/2014 (000's)
Turnover	£39,843,000	£42,278,000	£42,547,000
Pre-tax profit (loss)	(£231,000)	(£3,727,000)	£1,696,000
Tangible net worth	£1,077	(£98,000)	£3,038,000

VAT

The property is VAT registered therefore VAT will be payable on the purchase price unless the transaction can be treated by way of a Transfer of a Going Concern (TOGC).

EPC

An EPC is available on request

Tenure

Freehold

Proposal

We are instructed to seek offers in the region of **£675,000** (Six Hundred and Seventy Five Thousand Pounds), subject to contract and exclusive of VAT, which reflects a net initial yield of **6.76%**, based on purchaser's costs of 5.24%.

Assuming RPI growth of 2.0% per annum the return to an investor during the lease could increase to:

Years 6-10 – 7.46% (March 2020)

Years 11-15 – 8.24%

For further information

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SUBJECT TO CONTRACT. Stewart Montrose (Manchester) Ltd, Nov 2016

