Madford Retail Park
Dunstable Road, Luton LU4 8DN

RETAIL WAREHOUSE AND TRADE INVESTMENT OPPORTUNITY
INVESTMENT CONSIDERATIONS

• Luton is situated 35 miles north of London, benefiting from excellent communication links, being located between Junctions 10 and 11 of the M1.

• The subject property is situated in a prominent location on Dunstable Road, in the main retail warehouse pitch for the town.

• The scheme is arranged across 2 units totalling 36,255 sq ft, occupied by PC World and Tyre City.

• The rent totals £561,650 per annum, reflecting £17.75 per sq ft and £7.34 per sq ft on the PC World and Tyre City units respectively.

• The PC World unit benefits from an open A1 planning consent including food, and the Tyre City unit has a B1 consent.

• Exciting asset management angles including a potential surrender of the PC World lease and re-letting to Aldi on a 20 year lease with RPI linked reviews.

• We are instructed to seek offers for the above property based on an attractive net initial yield of 7.00% (assuming purchaser’s costs at 5.80%), giving a purchase price of £7,180,000 (Seven Million, One Hundred and Eighty Thousand Pounds), subject to contract and exclusive of VAT.
LOCATION

Luton is Bedfordshire’s principal administrative town and is located in a strategic position 35 miles north of London, 12 miles north of Hemel Hempstead, 13 miles north of St Albans and 15 miles west of Stevenage.

The town benefits from excellent road communications, being located adjacent to Junctions 10 and 11 of the M1 motorway. It is also well served by a number of primary roads, including the A6 trunk road and the A505 dual carriageway, which links the A1 and the A5.

Luton and Luton Airport Parkway stations benefit from regular train services to London (St Pancras), with a quickest journey time of approximately 23 minutes.

Luton is currently undergoing a major town centre regeneration and investment programme, which includes upgrades to the town’s bus and railway stations, as well as improvements to the town’s urban environment.

Luton Airport is one of the fastest growing airports in the UK, offering flights to major European and worldwide destinations.

CATCHMENT POPULATION

Luton benefits from a primary catchment population of 342,000 people and a shopping population of 188,000 people. The catchment population is anticipated to see growth of 1.4% per annum between 2014 and 2019: significantly above the UK average of 0.7% per annum.

CACI predict there are 178,621 people living within a 10 minute drive time of the subject property, extending to 444,253 people within a 20 minute drive time. This is due to increase by 4.97% by 2017. The largest CACI social group within the 10 minute drive time is ‘Suburban Mindsets - Maturing families on mid-range incomes living a moderate lifestyle in suburban semis’, totalling 21.7% of the population.

Consumer spending in Luton is above the UK average; per capita in-store comparison expenditure in 2014 was £2,455, and per capita retail warehouse expenditure was £511, substantially ahead of the PMA average of £2,366 and £469 respectively.
The property is located in a prominent position at the junction between Dunstable Road and Waller Avenue, benefiting from excellent visibility from both roads. Dunstable Road connects to the A6 and Luton town centre, approximately 2.5 miles east. Junction 11 of the M1 motorway is conveniently located approximately 1 mile east of the scheme, providing easy access for customers from the M1 corridor.

The subject property is located in a cluster of retail warehousing with Dunstable Road Retail Park situated to the immediate south of the scheme. Hatters Way Retail Park and a B&Q Warehouse are also located in close proximity.
DESCRIPTION

The subject property comprises 2 adjoining units occupied by PC World and Stapleton Tyres, trading as Tyre City.

Externally, the scheme is well presented and modern, with a combination of brick and metal profile cladding to the façades.

The PC World unit totals 25,446 sq ft and is fitted out to the tenant’s specification. The unit does not have a mezzanine floor but there is sufficient eaves height to install one, subject to planning.

The Tyre City unit totals 10,894 sq ft and is fully fitted out as a tyre fitting service centre. The internal ground floor area, totalling 9,317 sq ft, comprises a workshop, tyre sales area and staff offices. There is a 1,577 sq ft mezzanine with staff accommodation and facilities.

Customer access and egress to the PC World unit is via a slip road from Dunstable Road, whilst customer access to the Tyre City unit is via Waller Avenue, which also provides service access to the PC World unit.

Customer car parking is located to the front of the PC World unit, providing 123 spaces equating to an attractive car parking ratio of 1:207 sq ft. There is further car parking in front of the Tyre City unit servicing their customers.

The total site area is 2.67 acres providing a low site cover of 30%.

TENURE

The site, delineated above, is held freehold.
PLANNING

Planning was originally granted in 1998 for a unit with a B1 consent and an A1 retail unit, with ancillary car parking and servicing. The retail unit was restricted to a maximum of 24,994 sq ft and had a bulky goods consent.

In 2009 an application was made to remove the bulky goods restriction on the retail unit, allowing it to be used for the sale of all goods within Class A1. This was granted on appeal in 2010, potentially allowing the property to be used by a food operator.

The Council confirmed in November 2013 that the open A1 permission had been implemented and that the unit can be occupied by a foodstore at any future date, subject to an acoustic fence being erected around the boundary of the site and a Travel Plan being approved by the local authority.

Further details and the planning permissions are available on request.

TENANCY

The property is let on full repairing and insuring leases benefiting from an average income weighted unexpired lease term of virtually 8 years as follows:

<table>
<thead>
<tr>
<th>Unit</th>
<th>Tenant Name</th>
<th>Total Area (sq ft)</th>
<th>Lease Start Date</th>
<th>Lease Term (years)</th>
<th>Lease Expiry Date</th>
<th>Next Rent Review</th>
<th>Current Rent (per annum)</th>
<th>Current Rent (per sq ft)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DSG Retail Limited t/a PC World</td>
<td>25,446</td>
<td>16/08/1999</td>
<td>25</td>
<td>15/08/2024</td>
<td>16/08/2019</td>
<td>£451,650</td>
<td>£17.75</td>
<td>Tenant currently holding over. Ground floor area of 9,317 sq ft and mezzanine area of 1,577 sq ft.</td>
</tr>
<tr>
<td>2&amp;3</td>
<td>Stapletons (Tyre Services) Ltd t/a Tyre City</td>
<td>10,894</td>
<td>28/02/2000</td>
<td>15</td>
<td>27/02/2015</td>
<td>–</td>
<td>£80,000</td>
<td>£7.34</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>36,340</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£531,650</td>
<td>£14.63</td>
<td></td>
</tr>
</tbody>
</table>

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The property provides an exciting opportunity for an incoming investor to create value through re-letting the PC World unit to Aldi, or another food retailer.

PC World have undertaken a combined 2 in 1 store with the Currys unit on Dunstable Road Retail Park. Therefore they are amenable to a surrender of their unit here in return for making a payment, previously agreed at 18 months’ rent, to the Landlord.

Aldi Stores Limited are keen to take occupation of the PC World unit on surrender, at a rent of £355,000 per annum. The lease would be for 20 years with 5 yearly rent reviews collared and capped at 1% and 3% per annum compounded.

Heads of terms have been agreed with both parties and are available on request.

In addition, the Tyre City lease expiry was on 27 February 2015. However, they remain in occupation and are holding over. We understand they are willing to re-gear their lease here, which can be actioned by the incoming purchaser. Further detail on this is available on request.

TENANTS’ COVENANTS

DSG Retail Ltd are the UK’s leading electrical retailer, and having merged with Carphone Warehouse in 2014 to create Dixons Carphone, now have 1,300 stores across the UK and Ireland. PC World is the market leading brand in computing in the UK.

Tyre City is part of Stapletons (Tyre Services) Ltd, one of the UK’s largest distributors of passenger car, 4x4 and van tyres. The business has been in operation for over 75 years and was acquired in 1994 by the Japanese Itochu Corporation, who also own Kwik Fit.

The lease was assigned from Pendragon Property Holdings to Stapletons (Tyre Services) Ltd and an AGA was put in place. Pendragon Property Holdings Ltd is a wholly owned subsidiary of Pendragon Plc, which contains a number of freehold and leasehold property assets. Pendragon Plc is a FTSE 250 listed company with a market cap of around £550 million, and is a multi-national operator of franchised motor dealers in the UK.

We set out below the most recent company accounts for the individual tenants demonstrating their ‘A1’ D&B rated covenants.

<table>
<thead>
<tr>
<th>Unit</th>
<th>Tenant</th>
<th>Year Ending</th>
<th>Sales Turnover (000's)</th>
<th>Profit/Loss Pre Taxes (000's)</th>
<th>Net Worth (000's)</th>
<th>D&amp;B Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PC World (DSG Retail Ltd)</td>
<td>30/04/2014</td>
<td>£4,078,300</td>
<td>£94,100</td>
<td>£377,500</td>
<td>5A1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30/04/2013</td>
<td>£3,997,900</td>
<td>£62,300</td>
<td>£301,800</td>
<td>5A1</td>
</tr>
<tr>
<td>2 &amp; 3</td>
<td>Stapletons (Tyre Services) Ltd</td>
<td>31/03/2014</td>
<td>£376,962</td>
<td>£12,348</td>
<td>£7,709</td>
<td>3A1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31/03/2013</td>
<td>£342,447</td>
<td>£7,075</td>
<td>£24,520</td>
<td>3A1</td>
</tr>
<tr>
<td></td>
<td>Pendragon Property Holdings Ltd</td>
<td>31/12/2013</td>
<td>-£5,095</td>
<td>£8,669</td>
<td>3A1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>31/12/2012</td>
<td>-£3,980</td>
<td>£12,930</td>
<td>3A1</td>
<td></td>
</tr>
</tbody>
</table>
**EPC’S**

Unit 1 has an EPC rating of B38.
Unit 2-3 has an EPC rating of D99.

**VAT**

The property has been elected for VAT and therefore VAT is payable. However, we anticipate the transaction to be treated by way of a TOGC.

**PROPOSAL**

We are instructed to seek offers for the above property based on an **attractive net initial yield of 7.00%** (assuming purchaser’s costs at 5.80%), equating to a purchase price of **£7,180,000** (**Seven Million, One Hundred and Eighty Thousand Pounds**), subject to contract and exclusive of VAT.

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