

RETAIL INVESTMENT LET TO J SAINSBURY PLC  
93 YEARS UNEXPIRED WITH PRIVILEGE OF CONTRACT



H P F O U R



UNIT LSU2, THE CLOCK TOWERS SHOPPING CENTRE, RUGBY CV21 2JT



## Investment Summary

- ⌘ Rugby is an attractive Warwickshire market town approximately 13 miles east of Coventry and 20 miles north-east of Leamington Spa.
- ⌘ The property is located on Manning Walk in the Clock Towers Shopping Centre and comprises a large, two-storey, retail store totalling 41,700 sq ft which was sub-divided in 1990 to form two units.
- ⌘ Let to **J Sainsbury Plc**, which has a Dun & Bradstreet rating of 5A1, for a **further 93 years and 6 months with full privity of contract**.
- ⌘ The current income is £345,000 per annum.
- ⌘ Offers are being sought in the region of **£5,925,000**, subject to contract and exclusive of VAT, reflecting a **net initial yield of 5.50%** after allowing for acquisition costs of 5.80%.





## Location

Rugby is an attractive Warwickshire market town on the river Avon famous for its school founded in 1567 and the game of Rugby Football. It is the second largest town in Warwickshire after Nuneaton approximately 19 miles to the north-west. The town is approximately 15 miles east of Coventry, 22 miles south of Leicester and 34 miles south-east of Birmingham.

Rugby benefits from good communications links. It is close to several major trunk routes including the M6, M1 and M45 motorways and the A45 dual carriageway towards Coventry. At present, most traffic has to travel through the town centre but this should be alleviated with the current building of the Rugby Western Relief Road, linking the A45 with the Leicester Road which connects with the motorway network at Junction 1 of the M6.

By rail, Rugby is served by the West Coast Main Line railway with services to London, Birmingham and the North West of England. The fastest journey time to London Euston is approximately 48 minutes.

The closest airport to Rugby is Coventry Airport; however, the town also has a direct rail link to Birmingham International Airport via the A45.

There are regular bus services to Coventry, Leamington Spa, Daventry, Banbury, Leicester and Northampton.

## Retailing in Rugby

Rugby has a primary catchment population of 120,000, with an estimated shopping population of 58,000 ranking the town 176th of the PROMIS centres. Its catchment population is moderately affluent ranking the town 43rd of the PROMIS centres on the PMA Affluence Indicator. In 2001 the Rugby area had a significantly above-average proportion of working age adults within the most affluent AB social group; by contrast, the least affluent D & E social groups are particularly under-represented. The level of car ownership in Rugby is significantly above average, with a particularly high proportion of two-car households.

The prime retail core is focused around Market Place and The Clock Towers Shopping Centre. Retailers include Marks & Spencer, Dorothy Perkins, Monsoon, WH Smith and Next.

The Clock Towers Shopping Centre was opened in 1980; it was refurbished and extended in 1994 to provide 220,000 sq ft of gross accommodation and comprises 45 retail units and an Asda Superstore. Retailers include Wilkinson, New Look, Argos, Poundland, Bon Marché and Boots. There is covered parking for 550 cars.

## Description

The investment, known as unit LSU2, is located on Manning Walk in The Clock Towers Shopping Centre and comprises a large, two-storey retail store totalling 41,700 sq ft which was sub-divided in 1990 to form two units.

The store benefits from a rear service yard shared by all the occupiers of The Clock Towers Shopping Centre.

## Accommodation

The investment was the subject of a rent review in November 2003 which was settled at arbitration and the following areas were agreed:

Entire unit	Sq ft
Ground Floor	26,086
First Floor	15,614
Total GIA	41,700
Sub-divided units	
Unit 1	
Ground Floor	19,650
First Floor	15,614
Total GIA	35,264
Unit 2	
Zone A	840
Zone B	843
Zone C	839
Zone D	843
Remainder	2,911
Total NIA	6,276
ITZA	1,819



## Tenure

The investment is held long leasehold for a term of 125 years from 25 March 1980, expiring on 24 March 2105 at a peppercorn. The investment therefore has 93 years and 6 months unexpired.

## Tenancy

The property is let to J Sainsbury Plc (Company No 00185647) from 1 November 2008, expiring on 21 March 2105 on full repairing and insuring terms at a current rent of £345,000 per annum, subject to five-yearly, upward-only rent reviews, the next being in November 2013.

Although the lease start date is stated as 1 November 2008, the lease is classified as an 'old lease' for the purpose of privity of contract as the lease was granted under Section 19 of the Landlord & Tenant (Covenants) Act 1995.

The investment is therefore let to J Sainsbury Plc with full privity of contract for a further 93 years and 6 months. However, J Sainsbury are not in occupation and have sublet part of the store, known as unit SU2A, to Superdrug Stores Plc. The other part, known as unit SU2B and formerly occupied by Kwik Save, is currently vacant.

## Tenant's Covenant

J Sainsbury Plc was founded in 1869 and today operates a total of 934 stores – a chain of 557 supermarkets and 377 convenience stores. It also jointly owns Sainsbury's Bank with Lloyds Banking Group and has two property joint ventures with Land Securities Group Plc and The British Land Company Plc

Sainsbury's serves over 19 million customers each week and has 150,000 employees

J Sainsbury Plc has a Dun & Bradstreet rating of 5A1 which, based on their analysis, represents a minimal risk of business failure. Set out below are the company's published accounts for the last three years:

	19/3/2011 £000s	20/3/2010 £000s	21/3/2009 £000s
Sales Turnover	21,102,000	19,964,000	18,911,000
Pre-Tax Profit/(Loss)	827,000	733,000	466,000
Tangible Net Worth	5,273,000	4,822,000	4,216,000

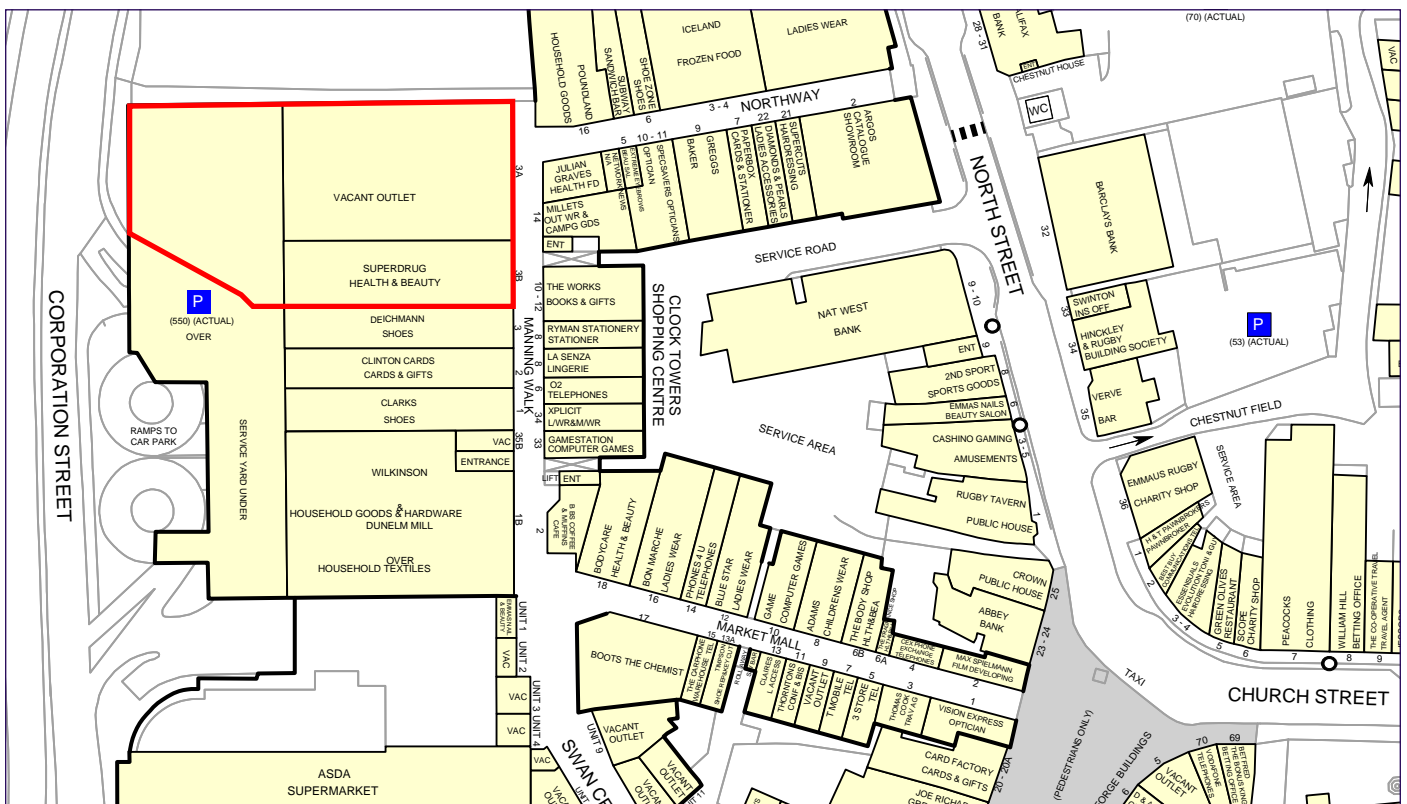


## Analysis of the Current Rent Passing

The property was the subject of an arbitration award at the November 2003 review which was valued to the higher of either the store as a whole or on a subdivided basis.

The current rent passing of £345,000 per annum was documented in the Rent Review Memorandum dated 18th February 2010 based on £7.50 per sq ft overall or £62.50 per sq ft Zone A, as illustrated below:

	Sq Ft		£psf			
The Entirety						
Store	41,700	@	£7.50	=	£312,750	
Less allowance for excess S/C liability	41,700	@	£0.75	=	£31,275	
					£281,475	
But rounded up to reflect limited F&F			say			£285,000 per annum
Alternative Sub-divided Basis						
Unit 1	35,264	@	£7.50	=	£264,480	
Less allowance for excess S/C liability	35,264	@	£0.60	=	£19,358	
					£245,122	
But rounded up to reflect limited F&F			say			£250,000 per annum
Unit 2	ITZA 1,819	@	£62.50	=	£113,688	
Less quantum allowance	5.0%				£5,685	
					£108,004	
Less management	10.0%				£10,800	
Less 25-year term	2.5%				£2,700	
					£94,504	
			say			£95,000 per annum
						<b>£345,000 per annum</b>



## VAT

The property has been elected for VAT.

## Proposal

We are instructed to seek offers in the region of **£5,925,000** (Five Million Nine Hundred and Twenty-five Thousand Pounds), subject to contract and exclusive of VAT, reflecting a **net initial yield of 5.50%** after allowing for purchaser's costs of 5.80%.

## FURTHER BROCHURES

A pdf version of the marketing brochure is available upon request.

## FURTHER INFORMATION

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

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