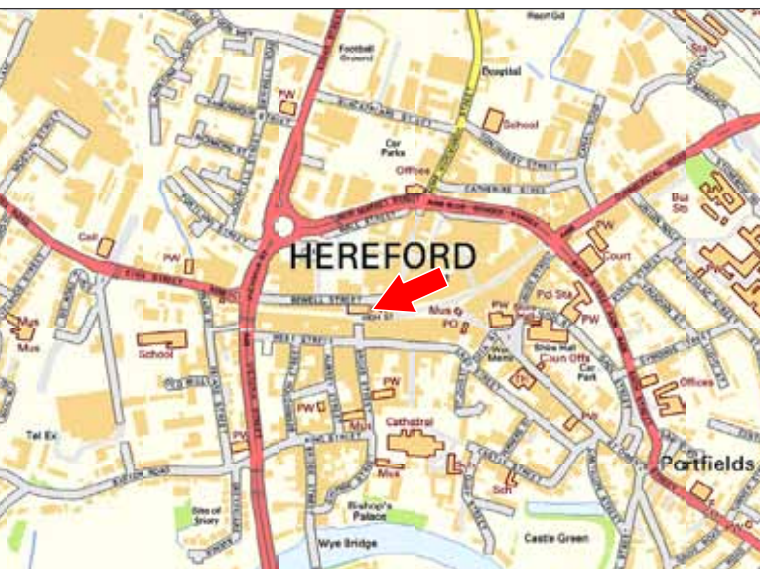




10-11 High Street Hereford

Freehold retail investment, let to Boots UK Ltd





Boots 10-11 High Street, Hereford, Herefordshire HR4 9AA

Freehold retail investment, let to Boots UK Ltd

Investment summary

- Prime high street location with nearby occupiers including Marks & Spencer, New Look, Primark and WH Smith
- Freehold
- Attractive period retail unit comprising approximately 3,766 sq ft (349.87 sq m) of space
- Let on FRI terms until February 2025 (14 years unexpired)
- 97% of income secured to the undoubted covenant of Boots UK Ltd
- Total current income of £113,500 pa
- Offers are sought in excess of **£1,790,000**, subject to contract and exclusive of VAT
- A purchase at this level would reflect an attractive net initial yield of 6.0%, assuming standard purchaser's costs of 5.8%

Location

The cathedral city of Hereford is located on the banks of the River Wye, approximately 16 miles east of the Welsh border, 137 miles to the west of London and 48 miles to the south-west of Birmingham. Cardiff is approximately 55 miles to the south-west.

Hereford has a resident population of approximately 54,700. However, the city benefits from a significant and affluent catchment population of approximately 255,000, with limited competition from neighbouring centres. The nearest competing centres are Worcester and Gloucester, which are approximately 26 and 31 miles away respectively.

The city benefits from excellent transport links, being located on the A49 (running north-to-south, linking to Ross-on-Wye and Leominster), the A438 (running east-to-west, linking to Ledbury and Brecon) and the A465 (running south-west, linking to Abergavenny on the edge of the Brecon Beacons National Park).

Junction 4 of the M50 motorway is situated approximately 15 miles to the south.

National rail services are available to London (via Newport) with a journey time of approximately 2 hours and 40 minutes. Direct services to Cardiff have a journey time of approximately 1 hour.

Retailing in Hereford

Hereford has approximately 1.08 million sq ft of retail space, ranking it 78th out of the 200 leading centres in the UK (source: PMA). Demand for space is high amongst prospective occupiers, with an above average number of active requirements.

Hereford has a single covered shopping centre, the Maylord Shopping Centre, which runs north off Commercial Street. The centre provides approximately 150,000 sq ft of retail and leisure space as well as providing the principal car parking facility for the city centre with 225 spaces. Key tenants in the centre include Next, TK Maxx and Top Shop.

Herefordshire farmers' market runs twice weekly in the city centre, bringing significant additional footfall to the area on market days.

Situation

The property itself is prominently situated on the north side of High Street, along the main pedestrianised shopping thoroughfare in the city. The prime pitch centres on the junction of High Town, High Street and Commercial Street.

Occupiers in the immediate vicinity of the property include Argos, Marks & Spencer, New Look, Primark and WH Smith.

Description

The property comprises a period-style building arranged over ground and first floors. The unit has been knocked through at both levels to combine floor space with the adjoining property at 12-13 High Street. (which does not form part of the sale).

Internally, the ground floor is fitted out with the standard Boots shop fit and provides well configured sales accommodation. The first floor comprises back-of-house areas for the store and is currently used for staff and ancillary accommodation.

A flower stall, let on a separate tenancy, occupies a small parcel of land between the unit and the adjoining church.

Accommodation

The property provides the following net internal areas:-

| Floor | Use | sq m | sq ft |
|--------------|--------------|---------------|--------------|
| Ground | Sales | 218.97 | 2,357 |
| | ITZA | 108.09 | 1,163 |
| First floor | Staff/ Store | 130.90 | 1,409 |
| Total | | 349.87 | 3,766 |

Tenure

Freehold

Tenancy

The majority of the property is let on full repairing and insuring terms to Boots UK Ltd for a term of 25 years from 9 February 2000, expiring on 8 February 2025 (ie 14 years unexpired). The current rent passing amounts to £109,750 pa.

The rent is subject to upwards only reviews in every fifth year of the term, with the next review due in February 2015. The rent is reviewed to open market value.

In addition, the flower stall is let to a private individual on a 4 year term from 1 May 2009, expiring on 30 April 2013 (ie 2 years unexpired). The current rent passing is £3,750 pa.

The total rent passing for the investment is £113,500 pa.

Tenant covenant

97% of the total income from the property is secured against the undoubted covenant of Boots UK Ltd. The latest company accounts for Boots UK Ltd are as follows:-

| Year ending | Turnover £000 | Pre-tax profit £000 | Tangible net worth £000 |
|-------------|------------------|------------------------|----------------------------|
| 31/03/2010 | £6,303,000 | £337,000 | £313,000 |
| 31/03/2009 | £6,083,000 | £287,200 | £89,400 |
| 31/03/2008 | £5,005,100 | £396,100 | £382,300 |

On the basis of the above, Dun & Bradstreet has denoted the company a risk rating of 5A1, which classifies it as having a minimal risk of business failure.

VAT

The property is registered for VAT and therefore VAT will be payable on the purchase price. It is anticipated that the sale will be structured as a Transfer of a Going Concern (TOGC).



