



### Investment Considerations

- Prominently located mixed use building in established retail location
- Uncapped RPI linked secure income stream totalling £119,023pa
- 60% of the income derived from Tesco Stores Ltd with 12 years unexpired
- 34% of the income derived from Day Lewis Chemists Ltd with 13 years unexpired - supported by presence of Doctor's Surgery on 1st and 2nd floors
- Seeking offers in the region of £1.7 million reflecting a net initial yield of 6.62%

### Location

Paignton is located on the south coast of Devon approximately 42kms (25 miles) south west of Exeter. Road communications to the town are good with the A380/A38 providing dual carriageway access to J31 of the M5 motorway at Exeter approximately 28kms (17 miles) to the north. Rail services to London Paddington are available in approximately 3 hours.

Paignton has a resident population of 47,398 (2001 census) and a population within 10kms of the centre of 155,416 (1994 estimate). The unemployment rate for the town is 3.3% (January 2011) which compares favourably against the UK average of 5.3% (January 2011).

### Situation

The property is prominently located fronting directly on to the A3022 Torquay Road. The main retailing facilities of Paignton town centre are situated approximately 1.6kms (1 mile) to the south. The property forms part of a busy suburban retailing pitch with nearby occupiers including Blockbuster Video, Domino's Pizza and Lloyds TSB. Surrounding uses are a mixture of retail, offices and residential.



## Description

Pembroke House comprises a purpose built office building constructed in the 1960s of concrete frame construction with accommodation arranged over ground and three upper floors. The ground floor provides retail accommodation, whilst 1st and 2nd are occupied by a doctors surgery, and the 3rd floor as offices.

The property has recently been comprehensively refurbished. The refurbishment works included new double glazed window units and a new insulated Sarnafil roof which has a 20 year guarantee. A specification of works undertaken is available on request.

Externally there is a car park to the rear providing 10 car park spaces and Tesco's have the benefit of a further 6 dedicated parking spaces, including a disabled space, in addition to on street parking.

## Accommodation

The building provides a total approximate floor area of 22,290 sq ft. A detailed breakdown is provided in the tenancy schedule overleaf.

## Tenure

Freehold

## VAT

The property is elected for VAT purposes however, it is anticipated that the sale will be treated as a Transfer of a Going Concern (TOGC).



Tenancy

The property is multi-let producing a total rent roll of £119,023pa in accordance with the following tenancy schedule:

Floor	Unit/ Suite	Description	Tenant	Floor Area		Lease Term (years)	Start Date	Lease Expiry	Review Pattern	Next Review	Rent pa	ERV	Comments
				sq m	sq ft								
Ground	1	Convenience Store	Tesco Stores Ltd	381	4,101	15	03/09/2008	02/09/2023	5 yearly - uncapped RPI linked	03/09/2013	£71,523	£71,523	Current rent passing £62,310pa - will be topped up to forecast rent of £71,523pa up to 03/09/2013. Demise includes parking to side and service area at rear.
	2 & 3	Pharmacy	Day Lewis Chemists Ltd	127.5	1,372	15	24/06/2009	23/06/2024	5 yearly - uncapped RPI linked	24/06/2014	£40,000	£48,169	ERV based on assumed 2.9%pa increase in RPI in line with average independent forecast published by HM Treasury (Sept 2011)
1st & 2nd		Doctor's Surgery	Preston Partners Ltd (T/A Pembroke House Surgery)	1110	11,948	999	26/10/2009	25/10/3008	33 yearly - uncapped RPI linked	26/10/2042	£5,000	£5,000	Demise includes 6 parking spaces at rear.
3rd		Offices	Claybrook Developments South West Ltd	452.3	4,869	999	On completion	TBC	33 yearly - uncapped RPI linked	TBC	£2,500	£2,500	Demise includes 4 parking spaces at rear.
<b>Total</b>				<b>2,070.8</b>	<b>22,290</b>						<b>£119,023</b>	<b>£127,192</b>	

The vendor is proposing to top up the rent on the Tesco lease to £71,523pa until 03/09/13 based on forecast annual RPI increase of 2.9% (in line with recent independent average forecast report by HM Treasury).

The 3rd floor is sub-let to TMS South West Ltd and Devon Partnership NHS Trust. The Vendor is proposing to take a new 999 year long lease on similar terms to the Doctor's Surgery to provide a secure long term income stream on the upper floors.

### Covenant Information

Tesco Stores Ltd (company number 519500) are the UK's leading supermarket operator and feature on the FTSE 100 index. The company has reported the following financial results:

Y/E	27/02/2010 £000's	28/02/2009 £000's	23/02/2008 £000's
<b>Turnover</b>	£38,742,000	£38,027,000	£34,786,000
<b>Pre tax Profit</b>	£2,491,000	£1,748,000	£1,320,000
<b>Shareholder Funds</b>	£6,693,000	£5,664,000	£4,703,000

Day Lewis Chemists Ltd (Company no. 1586170) is a subsidiary of Day Lewis Plc, the largest independent pharmacy group in the UK with over 180 pharmacies nationwide. The company has reported the following financial results:

Y/E	31/03/2010 £000's	31/03/2009 £000's	31/03/2008 £000's
<b>Turnover</b>	58,400	46,244	34,006
<b>Pre Tax Profit</b>	2,086	2,678	1,831
<b>Shareholders' Funds</b>	5,589	4,087	2,544

### Proposal

We have been instructed to seek offers in the region of £1,700,000 which reflects a net yield of 6.62% after allowing for purchasers costs at 5.8%.



### Capital Allowances

Capital allowances have not been claimed by the vendor and may be available to the prospective purchaser.

An independent assessment estimates that the total unrestricted capital allowances including both Plant & Machinery Allowances and Integral Features available to the purchaser total around £340,000, resulting in a total tax saving of over £80,000 assuming a main rate of corporation tax at 26%. The table below shows the potential savings over the first 5 years only. Please note this is an estimate provided for indicative purposes only. Prospective purchasers should rely on their own investigations.

Year	Potential Capital Allowances Savings £	Rental Income Plus saving £	Effective Net Return to investor £
1	10,660	129,683	7.21%
2	7,380	126,403	7.03%
3	6,276	125,299	6.97%
4	5,343	132,535	7.37%
5	4,760	131,952	7.34%



**For further information**  
or to arrange an inspection  
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**SUBJECT TO CONTRACT & EXCLUSIVE OF VAT**  
OJS/68986  
Jan 2012

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