

82 - 86 NORTH END
CROYDON

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PRIME HIGH STREET
RETAIL INVESTMENT

KLM
KLM RETAIL



Prime High Street Retail Investment on the pedestrianised North End

INVESTMENT CONSIDERATIONS

- Croydon is London's largest Borough and one of the largest financial centres in the South East
- 100% prime retailing location on the pedestrianised North End, close to the entrances of the Centrale and Whitgift Shopping Centres
- Location will improve significantly following the impending £1.4 billion Westfield / Hammerson development
- Two well configured retail units
- Freehold
- Well secured to 5A1 covenants
- WAULT of 8.69 years
- Flexible title to enable potential future individual unit sales



PROPOSAL

Income:	£310,000 per annum
ERV:	£360,000 per annum
Offers in excess of:	£5,800,000 (subject to contract)
Net Initial Yield:	5.00%

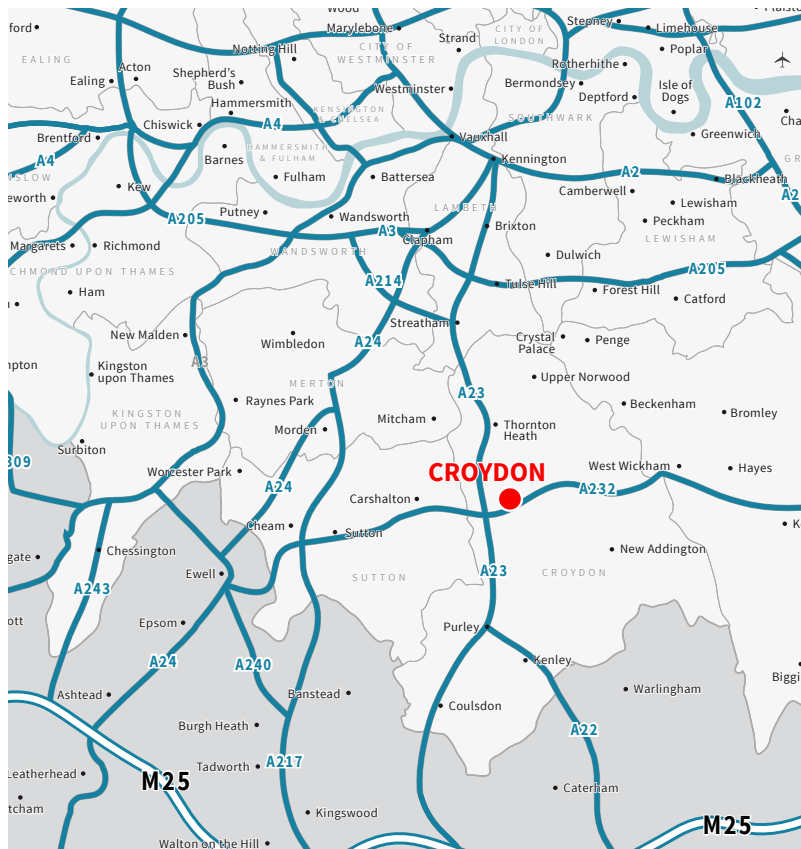


Location will improve significantly following the impending £1.4 billion Westfield and Hammerson development



LOCATION

Croydon is London's largest Borough by population with approximately 382,000 people. The town is one of the largest commercial and financial centres in the South East outside of London, located 10 miles south of central London and 8 miles north of Junction 7 on the M25 motorway.



Croydon has excellent communications as it lies on a unique transport corridor between central London and the south coast of England with the A23 providing direct access to Central London and the national motorway network via the M25.



There are three mainline stations within Croydon (East Croydon, West Croydon and South Croydon), which offer regular services to London Victoria and London Bridge with a fastest journey time of 16 minutes and 13 minutes respectively. This is further supported by 20 bus routes operating to and from Central London and the Croydon Tramlink, which had 32 million passengers last year.



London Gatwick Airport is located approximately 18 miles to the south and London Heathrow Airport is located approximately 25 miles to the north west.





DEMOGRAPHIC PROFILE

The total population within the Croydon primary catchment area is 866,000, above the Regional Centre average and ranking the town 14th out of the 200 PROMIS Centres. The estimated shopping population of Croydon is 448,000, ranking the town 15th out of the PROMIS centres on this measure.

Croydon is projected to see significantly above average growth in both population and the available pool of comparison spend over the period 2016 to 2021. As one of the major shopping centres of south London, Croydon retains a considerable proportion of this spend and also draws additional spending from further afield. (Source: PROMIS)

The age profile of the Croydon primary catchment population includes a particularly high proportion of adults aged 25-44; children aged 0-14 are also over-represented. In contrast, older working age adults aged 45-64 and the retired aged 65 and over are particularly under-represented within the Croydon area. (Source: PROMIS)

In 2011 the Croydon area contained a significantly above average proportion of adults of working age categorised within the most affluent AB social group, social group C1 is also over-represented. In contrast, social group C2 and the least affluent D and E social groups are particularly under-represented within the Croydon area. (Source: CACI)

Town centre retail floor space totals approximately 2.6 million sq ft



RETAILING IN CROYDON

Croydon is one of the leading retail destinations in Greater London. Town centre retail floor space totals approximately 2.6 million sq ft, and the town ranks 14th out of the PROMIS centres in terms of retail floor space. The prime pitch is focused on the pedestrianised North End with key occupiers including:

North End acts as the key interlinking thoroughfare into Croydon's two principal shopping centres; The Whitgift and Centrale shopping centres, which sit to the east and west of North End, respectively. A number of the principal tenants in these schemes have their primary frontages on North End. The Whitgift Shopping Centre provides over 1.3 million sq ft of retail space and currently has an annual footfall of 28 million people. Key retailers include Marks & Spencer, River Island and H&M. The Centrale Shopping Centre provides 820,000 sq ft of retail space and key tenants include Debenhams, House of Fraser, Zara and H&M.

M&S TOPSHOP
EST. 1884
next H&M JD
PRIMARK® ZARA
clas ohlson ALDO
DEBENHAMS
BRITAIN'S FAVOURITE DEPARTMENT STORE
DEICHMANN

CROYDON REGENERATION

Westfield and Hammerson have collaborated to develop a new town centre scheme in Croydon, incorporating the Whitgift Centre and Centrale Shopping Centre, to create a mixed use scheme. The £1.4 billion development will include approximately 1.5 million sq ft of retail and leisure as well as a new multi-screen cinema, bowling alley, offices and 600 new homes to be built within 5 residential towers. Consent for the scheme was granted in November 2013 with work on site due to start later this year and completion scheduled for 2021. North End will remain the centre of Croydon's retail core with both prime entrances of the two schemes to remain on North End.

There are also other significant residential developments planned within the town, such as Saffron Square – a 43 storey residential tower (700 homes) and Ruskin Square – a new joint venture between Stanhope and Schrodgers, which will consist of 1.25 million sq ft of offices, 625 homes and 100,000 sq ft of retail, restaurants and leisure.

The opening of the second Boxpark in Croydon in summer 2016 has furthered Croydon's regeneration. After the exceptional success of the first Boxpark in Shoreditch, the new Boxpark is situated adjacent to East Croydon station and comprise 80 small units and approximately 20,000 sq ft of event space. The scheme is comprised of independent businesses, with a particular bias towards food, drinks and entertainment. Demand has been exceptional with the scheme 250% oversubscribed before opening.



SITUATION

The property occupies a 100% prime retailing location on the eastern side of the pedestrianised North End opposite the entrance to the Centrale shopping centre. Nearby retailers in the immediate vicinity include Aldo and Zara (both directly opposite), River Island (directly to the rear), Next, H&M, Deichmann and Ernest Jones.



Opposite the entrance of Centrale Shopping Centre and adjacent to Whitgift Shopping Centre

DESCRIPTION

The property comprises two attractive well configured retail units arranged over ground, basement and three upper floors. Both units are arranged to provide sales accommodation at ground floor level with ancillary accommodation on the other floors.

It should be noted that McDonalds owner occupy the adjoining unit (outside of the vendor's ownership) and have taken down the dividing wall by way of a licence for alterations. They have also installed a sales staircase, again by way of a Licence for Alterations.

There is a passageway leading in between the two properties, from which the rear of the property can be accessed for servicing purposes.

ACCOMMODATION

We have been provided floor areas for the properties by our client which we set out below:

Floor	Use	82/84 North End (sq m)	82/84 North End (sq ft)	86 North End (sq m)	86 North End (sq ft)
Ground	Sales	183.1	1,971	93.1	1,002
ITZA			956 units		480 units
First	Ancillary	57.0	614	118.1	1,271
Second	Ancillary	67.2	723	66.0	710
Third	Ancillary	40.6	437	47.4	510
Basement	Ancillary	90.0	969	46.5	500
TOTAL		437.9	4,714	371.1	3,993



TENANCIES

82/84 North End is let to Office Holdings Limited on a full repairing and insuring lease for a term of 5 years from 25 December 2016 at a current rent of £195,000 per annum. The tenant has the benefit of 5 months' rent free, which will be topped up by the vendor.

86 North End is let to McDonalds Real Estate LLP on a full repairing and insuring lease for a term of 20 years from 5 December 2012 at a current rent £115,000 per annum, subject to five yearly upwards only rent reviews, the next of which being 25 December 2017. There is a franchisee sublease in place from 21 September 2014 to 4 September 2031. The current franchisee subtenant is Lingfield Ltd, further information available on request.

The property therefore produces a total income of **£310,000 per annum** and the weighted unexpired lease term is 8.69 years.

TENURE

The property is held freehold.





COVENANT

Office Holdings Limited (Company No 01764341) is a company that operates the “Office” chain of shoe shops in the UK, Ireland, Germany & Concessions in Las Vegas, New York & Chicago. The first stand-alone Office store opened on Kings Road in 1984; as of 2014, the company has 105 standalone stores in the UK and more than 47 concessions. The company is owned by Truworths International, a market leading South African fashion retailer.

The latest financial figures for the company are as follows:

	2016	2015	2014
Turnover	£387,780,000	£270,242,000	£256,044,000
Profit Before Tax	£29,333,000	£56,522,000	£28,106,000
Net Worth	£108,703,000	£88,965,000	£103,595,000

Office Holdings Limited has a Dun & Bradstreet rating of 5A1 showing 'minimum' of business failure.

McDonalds Real Estate LLP (Company No 0C303157) is an American hamburger and fast food restaurant chain. It was founded in 1940 as a barbecue restaurant operated by Richard and Maurice McDonald. Today, McDonald's is one of the world's largest restaurant chains, serving approximately 68 million customers daily in 119 countries across approximately 36,615 outlets.

The latest financial figures for the company are as follows:

	2015	2014	2013
Turnover	£89,566,000	£87,383,000	£87,333,000
Profit Before Tax	£304,122,000	£48,958,000	£37,871,000
Net Worth	£109,269,000	£302,087,000	£253,129,000

McDonalds Real Estate LLP Dun & Bradstreet rating of 5A1 showing 'minimum' of business failure.





100% prime
retailing
location on the
pedestrianised
North End

For indicative purposes only.



RENTAL VALUE

We have analysed the passing rents to reflect the following Zone A rates:

82/84 North End	£188.38 Zone A
86 North End	£181.04 Zone A

In analysing the rent we have applied a rate of A/20 to the first floor and basement ancillary accommodation. We have applied nil value to the second and third floor in respect of 82/84 North End to reflect the fact that these floors were made accessible following tenants alterations. In respect of 86 North End, we have applied a rate of A/30 to second floor accommodation and A/40 to the third floor accommodation. In addition, we have incorporated a 5% benefit to reflect the beneficial A3 user clause.



We are aware of the following recent comparable evidence on North End:

Address	Tenant	Transaction	Date	Net Rent ITZA
74 North End	TBC	OML	U/O	£215
51 North End	 GREGGS	OML	Aug 2016	£197
87-89 North End		OML	Mar 2016	£176
73 North End	 NatWest	OML	Oct 2015	£214

Unexpired term
of 8.95 years

Based on this evidence we are of the opinion that the subject property has an ERV of £215 Zone A, reflecting the following global rents for each unit:

82/84 North End	£223,000 per annum
86 North End	£137,000 per annum

Therefore the subject property has a total ERV of **£360,000 per annum**.

Two well configured retail units,
well secured to 5A1 covenants



VAT

The property has been elected for VAT purposes. It is anticipated that the investment sale will be treated as a Transfer of a Going Concern (TOGC).

EPC

EPCs for the property can be provided upon request.

PROPOSAL

We are instructed to seek offers for our client's freehold interest in excess of **£5,800,000** (Five Million, Eight Hundred Thousand Pounds), subject to contract and exclusive of VAT. A purchase at this level would reflect a **Net Initial Yield of 5.00%** and a reversionary yield of 5.82%, after allowing for purchasers costs of 6.62%.



FURTHER INFORMATION

For further information or to arrange an inspection of the property, please contact:



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MISREPRESENTATION ACT

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