

City Centre Retail Investment let to Wilko until 2026



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Wilko | Singleton Street | Swansea | SA1 3QN

£4,350,000

subject to contract

singerviellesales.com

green&partners

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SUMMARY

- Let to Wilko Retail Ltd until 2026
- Highly secure income – 5A1 covenant with SH Funds of £182m
- Rent re-based in July 2016
- Busy pitch adjacent to recently redeveloped Swansea Bus Station
- £4,350,000 subject to contract
- 7.5% net initial yield



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LOCATION

Swansea, Wales's second City, is the commercial and administrative centre for South West Wales. The City is located 42 miles (69 km) west of Cardiff, 81 miles (131 km) west of Bristol and 187 miles (301 km) west of London.

The City has excellent road communications lying just 4 miles (6 km) south of the M4 Motorway with access to multiple junctions. The M4 provides a direct link to Cardiff, London and the wider motorway network. Swansea train station provides a direct service to Cardiff, Bristol Parkway and London Paddington with a fastest journey time to London of 2 hours 55 minutes. Network Rail are set to modernise the line from the Severn Tunnel to Swansea which will reduce the journey time to London by 20 minutes. Cardiff International Airport is located 40 miles (64 km) to the south-east and provides scheduled daily flights to a number of UK and mainland European destinations.

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SITUATION

The subject property occupies a prominent position on Singleton Street in the heart of Swansea City Centre, adjoining both The Grand Theatre and the main entrance to Swansea Bus Station which links to The Quadrant Shopping Centre.

Retailing in Swansea

Swansea is a popular, busy retailing destination with an estimated town centre retail floor space of 1.65 million sq ft. The city's shopping is focused around Oxford Street, which runs east to west, the Quadrant Shopping Centre to the south separated from the prime stretch by a covered market and Singleton Street. Retailers include some of the best recognised national brands such as **Marks & Spencer, Next, H&M, Zara, River Island, Topshop, Costa Coffee** and **Starbucks**. The Quadrant Shopping Centre (440,000 sq ft of retail accommodation) located to the south of Oxford Street is anchored by **Debenhams, Boots, Superdry** and **New Look**.

City Centre Development

Swansea City Council have appointed Rivington Land and Acme as development consultants to advise on a potential redevelopment of St David's Centre and a number of sites on Ostermouth Road South in an attempt to instigate the largest development within the city since the end of WW2. The council has committed £2 million to fund the project through the planning period which is set to start in March 2017 with a view to delivery in 2021.



Swansea also benefits from a thriving and growing student population. St Modwen are currently undertaking the final phase of development at Bay Campus, with the aim of delivering 2,000 units by autumn 2017. The development is the largest 'knowledge economy' project in Europe at present. It is predicted the number of students will increase from 24,000 to 30,000.

In addition, the council have recently invested £2 million refurbishing the market in the centre of town. As a consequence a number of food operators and craft beer sellers have begun trading in the space along with the legacy tenants (butchers, bakers, cobblers etc).

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DESCRIPTION

The property is a prominent, attractive building let to Wilko Retail Limited who trade on both Ground and Mezzanine levels as sales (there is a restaurant located on Mezzanine level), while the First Floor is utilised as ancillary and office space. The retail unit has been fitted out by the tenant in their current corporate image.

The property also includes two small retail units fronting the Bus Station, while a section of the Singleton Street frontage acts as the entrance to The Grand Theatre. Both elements are leased back to The Council of the City and County of Swansea on a fully repairing & insuring 'long lease' at a peppercorn rental.

ACCOMMODATION

The Wilko Retail Ltd accommodation has been measured by BKR Floor Plans and provides the following Gross Internal Areas;

Ground Floor	1,681.77 sq m	18,103 sq ft
Mezzanine	454.47 sq m	4,892 sq ft
First Floor	1,714.28 sq m	18,453 sq ft
Total	3,850.52 sq m	41,448 sq ft

A set of floor plans is available to download and the measured survey report can be re-addressed to a purchaser.

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SITE

We estimate the site area to be approximately 0.25 hectares (0.61 acres).

TENURE

The property is held on a long leasehold from The Council of the City and County of Swansea for a term of 125 years from 24th June 1998. The unexpired lease term is therefore circa 106 years.

The head rent is geared to 5% of rents received (side by side), reviewed 5 yearly (upwards only). The next head lease rent review is 24th June 2019. The current head rent is £22,507.75 pax and following the rebasing of the Wilkos lease, the head rent will not increase unless the rents received increase to more than £450,000 pax.

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TENANCY

The majority of the property is let to **Wilko Retail Limited** at a passing rent of **£370,000 per annum**.

The tenant has been in occupation since 1999 and such is their long term commitment to the property in June 2016 they entered into a reversionary Full Repairing and Insuring lease expiring 20th June 2026 (**9.5 years unexpired lease term**). The lease is subject to an upwards only rent review on 21st June 2021. In accordance with a side letter, the tenant is permitted to pay the rent in monthly installments rather than quarterly. A six month rent free period from 24th June 2016 to 23rd December 2016 was granted on completion of the new lease.

The rent was re-based to its current level from £450,000 per annum.

Two small retail units fronting the bus station, and a section of the Singleton Street frontage (acting as the entrance to The Grand Theatre) are leased back to The Council of the City and County of Swansea on a fully repairing & insuring lease expiring 21st June 2123 at a peppercorn rental.

The current net income is **£347,492.23 per annum**.

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SERVICE CHARGE

There is a comprehensive fully recoverable Service Charge currently in operation apportioned 70% to Wilko Retail Limited and 30% to The Council of the City and County of Swansea. The total budget for the year ending March 2017 was £17,427. The service charge accounts and budget are available to download from the data room.



COVENANT

The property is well secured to Wilko Retail Limited (Co. No. 0365335). The company has a D&B Rating of 5A1 and has reported the following figures;

	30th January 2016	30th January 2015
Turnover	£1,464,475,000	£1,444,563,000
Pre-Tax Profit	£ 25,995,000	£ 22,479,000
Shareholders' Funds	£ 182,398,000	£ 150,093,000

Wilko is a family owned private limited company which has been trading for over 85 years. Established from a single shop in Leicester in 1930 today the company trades from more than 400 stores throughout the United Kingdom. In 2013 the company changed its name from Wilkinson to Wilko and according to its website 6 out of 10 shoppers in the United Kingdom shop with Wilko. The company intends to open a further 100 stores over the next 5 years, both on the high street and out-of-town. For further information visit www.wilko.com.

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VAT

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

PROPOSAL

We are instructed to seek offers of **£4,350,000** (Four Million, Three Hundred and Fifty Thousand Pounds), subject to contract, reflecting a net initial yield of **7.5%**, assuming purchaser's costs 6.56%.

INVESTMENT CONSIDERATIONS

1. An opportunity to acquire a **prominent retail investment** in Swansea City Centre;
2. The property occupies a **busy pitch** adjacent to the recently developed Bus Station and The Quadrant Shopping Centre;
3. Let to the highly secure covenant of **Wilko Retail Limited** – D&B Rating of 5A1 and Shareholders' Funds of £182.4 million;
4. Approximately **9.5 years unexpired lease term**;
5. The tenant has recently demonstrated their commitment to this property by entering into a **new reversionary lease**;
6. **Rent re-based** in July 2016;
7. A purchase at the asking price will provide an investor with an **attractive net initial yield**;



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SUBJECT TO CONTRACT & EXCLUSIVE OF VAT

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