

Sainsbury's



PRIME SECURELY LET SUPERMARKET AND DRIVE THRU DEVELOPMENT FUNDING OPPORTUNITY

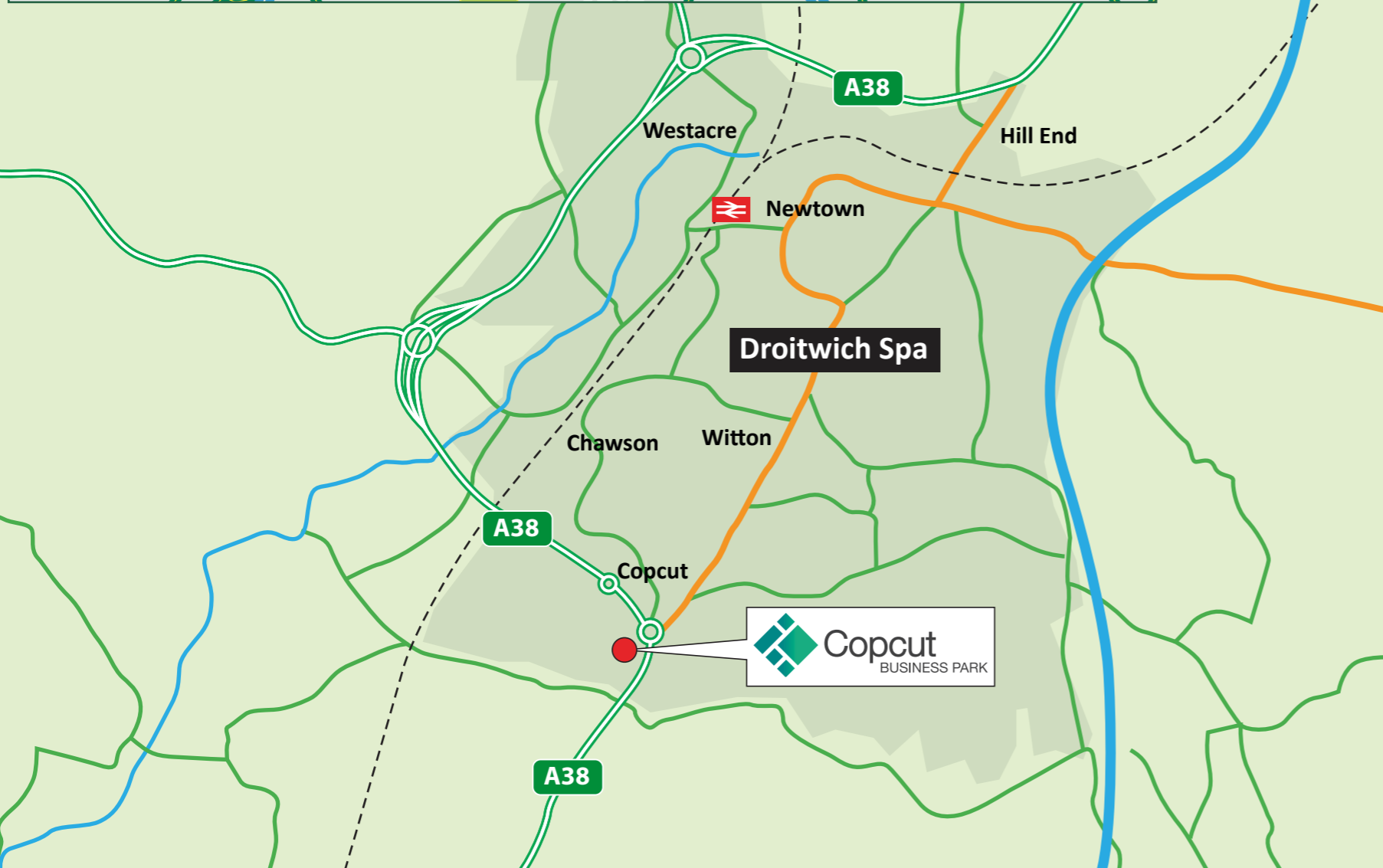
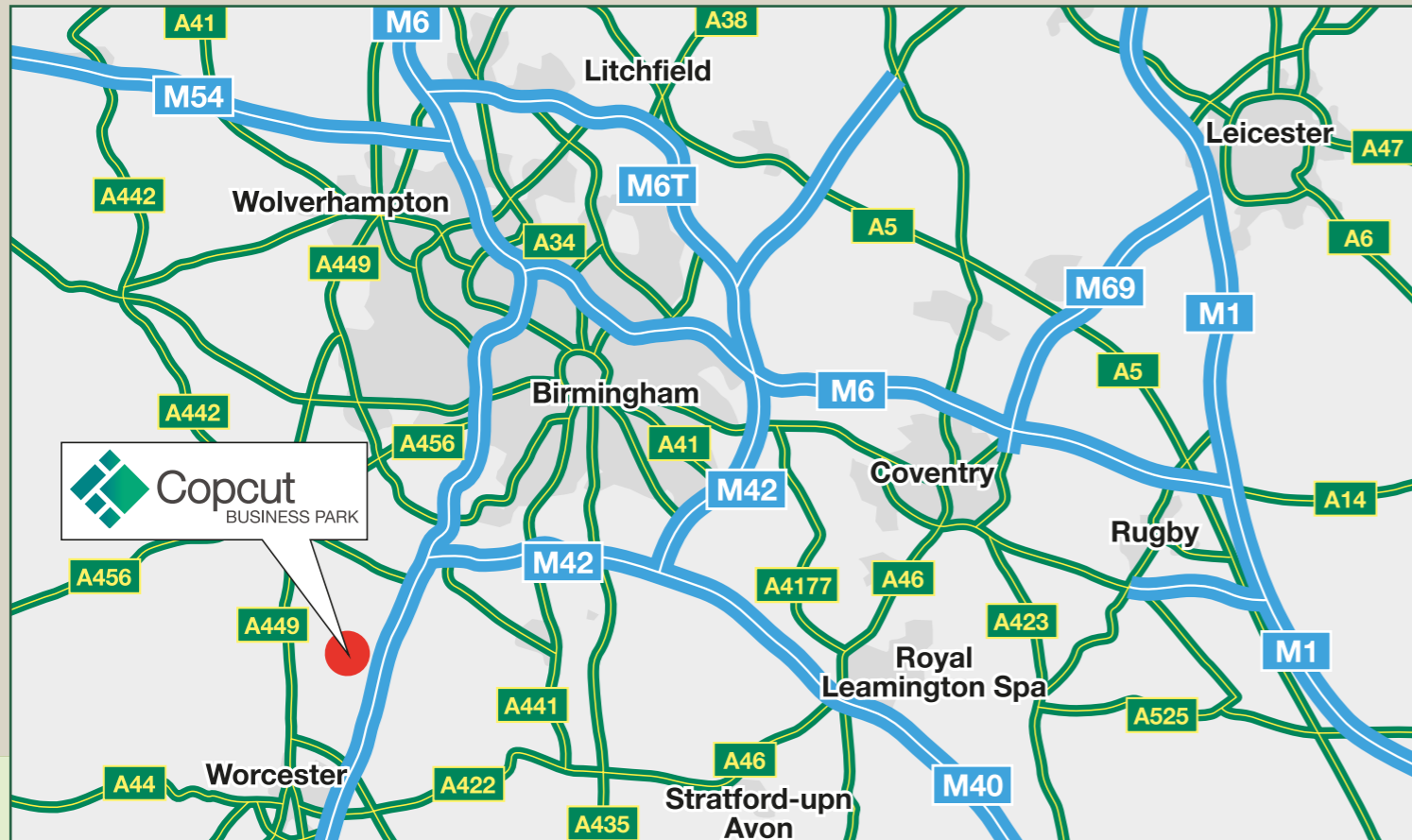
Copcut Business Park | Copcut Rise | Droitwich Spa | Worcestershire | WR9 7LT





INVESTMENT SUMMARY

- Forward funding of a prime supermarket and drive thru investment.
- Located immediately to the south-west of Droitwich Spa town centre adjacent to A38, leading directly to Worcester to the south, and at the entrance to a new 740 unit housing development.
- A new build supermarket extending to 418.06 sq.m (4,500 sq.ft) pre-let to Sainsbury's Supermarkets Ltd and adjoining coffee drive thru unit extending to 167.22 sq.m (1,800 sq.ft) pre-let to Costa Ltd
- Lease terms all 15 years (without break)
- Both leases subject to five yearly upward only reviews to CPI collared at 1% and capped at 3% per annum compounded
- Total income £228,000 per annum
- Pre-let to excellent covenants
- Site has been granted detailed planning consent for the proposed development
- Practical completion Q4 2024
- Offers are sought for the forward funding of the investment in excess of **£3,900,000**
- Net initial yield **5.50%**, assuming costs of purchase on the site of 6.57%
- Forward commitment will be considered



LOCATION

Droitwich Spa is located approximately seven miles north of Worcester, 22 miles south west of Birmingham.

The town is located one miles south-west of J5 of M5 motorway which provides connections to Bristol and Exeter to the south and Birmingham to the north.

Birmingham International Airport is located 29 miles to the north east of the town. National and regional train services are available from Droitwich Spa Train Station. A direct service is provided to Birmingham New Street in 30 minutes.

Droitwich has a resident population of over 25,000 and a retail catchment of 91,000. The population is set to increase by 15% by 2038, the second highest forecasted population growth in the West Midlands.

SITUATION

The property is prominently situated at the entrance to a new 740 unit housing development. The scheme lies immediately on the junction of Copcut Rise and Roman Way which leads directly onto A38 proving direct access to Droitwich Spa town centre, one miles to the north, and Worcester city centre, seven miles to the south.

The property is located directly to the north of an high specification industrial unit extending to 1,672.24 sq.m (18,000 sq.ft) and a self-storage unit extending to 3,808.99 sq.m (41,000 sq.ft), which will be constructed at the same time as the development.



DESCRIPTION

The development will comprise a supermarket and a drive thru coffee unit on a self-contained and landscaped site.

The supermarket will be constructed to Sainsbury's latest corporate specification comprising a large ground floor retail area with ancillary storage and staff accommodation to the rear of the unit. A loading area will be situated to the side elevation. Externally there will be 43 dedicated car parking spaces.

The drive thru unit will be constructed to Costa's latest corporate specification and will comprise a 90 cover restaurant with kitchen facilities, serving area and customer toilets. Externally there will be further seating and a drive thru lane. Externally there will be 15 dedicated car parking spaces.

Both units will be constructed to a target EPC rating of A.

SITE AREA

The site extends to 0.46 hectares (1.14 acres).



ACCOMMODATION

The proposed development will comprise the following net internal floor areas:-

Description	Area (sq.m)	Area (sq.ft)
Supermarket	418.06	4,500
Drive Thru	167.22	1,800
Total	585.28	6,300



TENURE

Freehold.

TENANCIES

The property will be fully let on completion producing a total income of £228,000 per annum. A summary of the tenancies is set out opposite.

Units	Area (sq.m)	Tenant	Lease Term	Rent £pa	Review Structure
Unit 1	4,500	Sainsbury's Supermarkets Ltd	15 years	£120,000	5 yearly to CPI 1-3%
Unit 2	1,800	Costa Ltd	15 years	£108,000	5 yearly to CPI 1-3%
TOTAL				£228,000	

COVENANTS

Sainsbury's

Sainsbury's Supermarkets Limited is the second largest chain of supermarkets in the United Kingdom with a 14.6% market share of UK supermarket sales. The company has over 600 supermarkets and 800 convenience stores.

The company has a Dun & Bradstreet rating of 5A1.

A summary of the company's last three years' accounts is set out below:

Sainsbury's Supermarkets Ltd Co No: 03261722	04/03/2023 £m	04/03/2022 £m	04/03/2021 £m
Turnover	26,693	25,238	23,823
Pre Tax Profit	137	244	(56)
Net Assets	4,684	5,418	4,287



Costa Ltd is the largest coffee chain in the UK and the second largest in the world. The company has over 2,100 UK stores and over 1,100 stores globally. Costa Express also operates in 20 international markets with over 12,700 coffee machines in the UK and over 1,600 globally.

The company was acquired by The Coca-Cola Company in January 2019 in a deal worth \$4.9 billion.

The company has a Dun & Bradstreet rating of 5A1.

A summary of the company's last three years' accounts is set out below:

Costa Ltd Co No: 1270695	31/12/2021 £m	31/12/2020 £m	31/12/2019 £m
Turnover	923	603	880
Pre Tax Profit (Loss)	(42)	(227)	5
Net Assets	227	263	464



CONVENIENCE & ROADSIDE INVESTMENT COMPARABLES

Address	Tenant	Term Certain	Transaction Date	Price £	Yield %	Comments
Andover	Costa Coffee	9.9 years	Available	Quoting £1,275,000	5.75%	5 yearly reviews to RPI collared at 1% and capped at 3% pa compounded.
Tonbridge	Co-op	11.9 years	Jul 23	£1,040,000	5.00%	5 yearly reviews to CPI% collared at 1% and capped at 3% pa compounded.
Bramhope	Co-op	15 years	Jun 23	£2,965,000	4.75%	5 yearly reviews to CPI% collared at 1% and capped at 3% pa compounded. Forward commitment.
Hexham	Co-op	15 years	Jun 23	£1,300,000	5.07%	5 yearly reviews to CPI% collared at 1% and capped at 3% pa compounded. New build.
Westbury on Trym, Bristol	Tesco	9.5 years	Jun 23	£1,250,000	5.37%	5 yearly reviews to RPI collared at 1% and capped at 3% pa compounded. Conversion.
Billinghurst	Costa Coffee	8 years	May 23	£1,450,000	5.75%	5 yearly reviews to RPI collared at 1% and capped at 3% pa compounded.
Carterton	Mid Counties Co-op & Greggs Drive Thru	15 years	Mar 23	£4,240,000	5.13%	OMV reviews on the Mid Counties Co-operative and RPI collared at 1% and capped at 3% pa compounded on the Greggs. Forward Commitment.
Stoke on Trent	Tesco	10 years	Dec 22	£1,350,000	5.00%	5 yearly reviews to OMV capped at 12.50% per review. New build.
Stoke on Trent	Costa Coffee	8.6 years	Nov 22	£1,450,000	5.24%	5 yearly reviews to CPI collared at 1% and capped at 3% pa compounded.



PLANNING

The Developer has received a detailed planning consent (application number W/22/00796/FUL) for the development of 418 sq.m Sainsbury's food retail unit (Use Class E (a)), a 167 sq.m Costa Coffee retail unit and drive thru (Use Class E (a) and (b)) a 'Ultra Rapid' EV vehicle charging station, a 1,672 sq.m industrial unit (Use Class E (g) ii, Lass E (g) iii, and B2) and a 3,809 sq.m industrial unit (Use Class E (g) ii, Class E (g) iii, B2 and B8 (self storage only)), with associated parking, landscaping and infrastructure works.

A copy of the planning consent is available on request.



South West Elevation



North East Elevation



North West Elevation



South East Elevation

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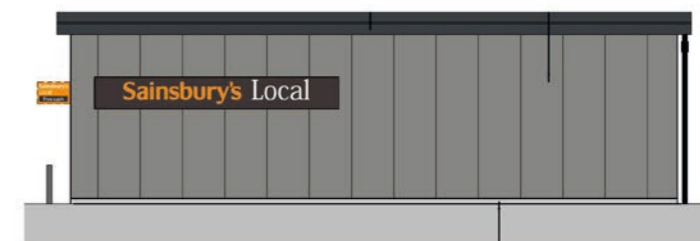
North East Elevation



South East Elevation



South West Elevation



North West Elevation



DEVELOPER & CONTRACTOR



The property will be developed by Hinton Group, who is one of the leading hotel, leisure, retail and childcare developers in the UK. Hinton Group is a privately owned company specializing in land acquisition, development, architectural design and construction.

Hinton has been delivering innovative development solutions for over two decades and to date Hinton has developed over 2,000,000 sq ft of commercial property. Recent projects include:

- 86 bed Premier Inn hotel, Abingdon
- Costa Coffee Drive-Thru Minworth
- Little Pioneers Nurery, Emersons Green, Bristol
- Aldi supermarket, Costa Coffee Drive Thru and a Little Pioneers Nursery, Corinthian Park, Cheltenham
- 90 bed Travelodge and Costa Coffee Drive Thru, Emersons Green, Bristol
- 78 bed Travelodge and Costa Coffee Drive Thru, Workington
- 63 bed Travelodge and Costa Coffee Drive Thru, Witney
- Lidl supermarket and Starbucks drive thru unit Cheltenham
- 60 bed Travelodge, Greggs and Starbucks drive thru Melksham
- 70 bed Travelodge, Subway and Starbucks drive thru Swindon
- Waitrose supermarket, Bromsgrove
- Aldi supermarket, Leicester
- 68, bed Travelodge, Telford
- KFC Drive-Thru and Aldi supermarket, Telford

Further information can be found on the company website hintongroup.co.uk.

DEVELOPMENT PROGRAMME

An option agreement has been exchanged for the acquisition of the site and the Agreement for Leases with the tenants have been exchanged.

Construction is due to commence in Q1 2024 with completion scheduled for Q4 2024.

A full suite of contractor warranties will be provided to the purchaser upon Practical Completion of the development.

VAT

The property is elected for VAT and therefore VAT will be payable on the purchase price.

PROPOSAL

We are instructed to seek offers for the forward funding of the property in excess of **£3,900,000 (Three Million Nine Hundred Thousand Pounds)** subject to contract and exclusive of VAT.

A purchase at this level would reflect a net initial yield of **5.50%**, assuming costs of purchase on the site of 6.57%.

INDUSTRIAL UNIT

The Developer will also consider a sale of the adjacent 1,672.24 sq.m (18,000 sq.ft) industrial unit. Terms have been agreed to pre-let this unit on a 10 year term. Further details are available on request.



FUNDING STRUCTURE

We are seeking a full forward funding package based upon the lease terms above. The envisaged structure is as follows:

- An initial site purchase of £500,000
- Payment of qualifying historic development costs
- Monthly payments based on Employers Agent's certificates.
- The Development will take 9 months to construct.
- A balancing payment at practical completion to bring the total expenditure to the anticipated total consideration of £3,900,000, reflecting an overall funding yield of 5.50%.
- All expended monies will attract a monthly interest return based upon the proposed capitalisation rate of 5.50%.
- Our calculations have allowed for full SDLT liability on the entire gross development value. We envisage that savings of circa **£164,550** can be made by virtue of the above structure. This is to be split on a 50/50 basis with the Developer and the purchaser. On this basis the actual initial return to the investor will improve to **5.61%**.

Our client will also consider a sale by way of a Forward Commitment with a 10% deposit paid on exchange of contracts and the balance paid following practical completion of the development and completion of the lease.



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CONTACT

For further information or if you wish to arrange a viewing please do not hesitate to contact:

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