

Sainsbury's

**Prime Securely Let Supermarket Development
Funding Opportunity**

Sainsbury's | Lincoln Road | Washingborough | Lincoln | LN4 1AT



Investment Summary

- Forward funding of a prime supermarket investment.
- Located in the affluent Lincoln suburb of Washingborough, to the east of Lincoln and in close proximity to the Lincoln Eastern Bypass (A15).
- A new build supermarket extending to 1,681.99 sq.m (18,105 sq.ft) pre-let to Sainsbury's Supermarkets Ltd
- Lease term 20 years (without break)
- Lease subject to five yearly upward only reviews to CPI collared at 1% and capped at 3.5% per annum compounded
- Rent £376,765 per annum (£20.81 per sq.ft)
- Excellent covenant with a Dun & Bradstreet rating of 5A1
- 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 **£6,730,000**
- Net initial yield **5.25%**, assuming costs of purchase on the site of 6.65%
- Forward commitment will be considered





Location

Washingborough is an affluent suburb of the city of Lincoln and is located approximately 3 miles east of Lincoln city centre.

The historic and attractive cathedral city of Lincoln is the county town and dominant retail destination within Lincolnshire, with a population of 130,200 people (2016 estimate). Lincoln is located approximately 36 miles north east of Nottingham, 50 miles north of Peterborough and 48 miles south east of Sheffield.

Located at the intersection of the A46 dual carriageway, A15 and A57 trunk roads, Lincoln benefits from excellent road communications. Additionally, the A1 and M1 Motorway are 11 miles and 35 miles west of the city respectively.

The property lies 3 miles north of Lincoln Railway Station, which provides regular services to Newark-on-Trent and Peterborough. There are also regular train services to London via Newark North Gate.

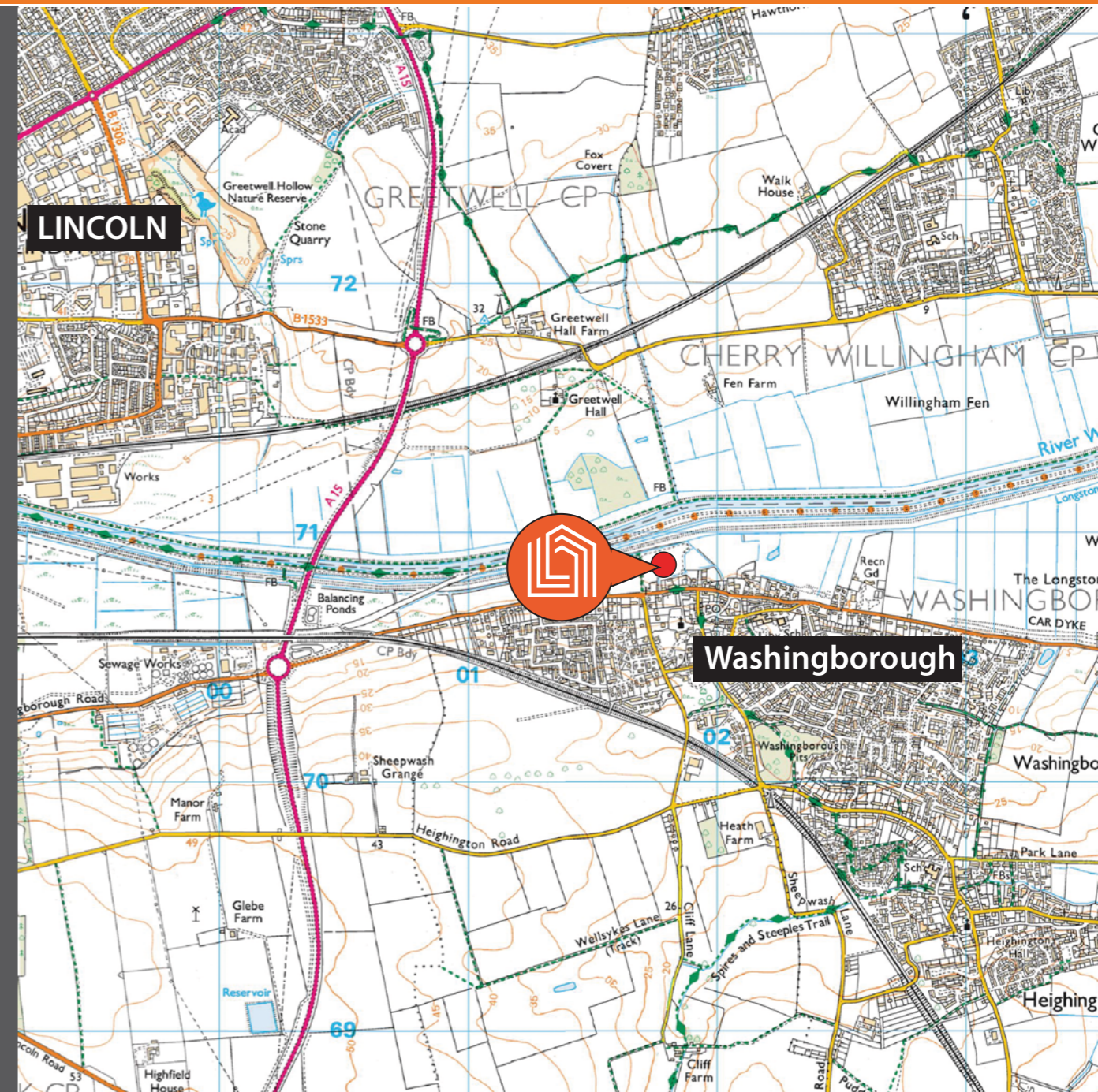
With an estimated shopping population of 264,000 people, Lincoln ranks 39 of the PROMIS centres, whilst the city's primary catchment extends to 419,000 people.

Situation

The property is prominently situated to the north of Washingborough centre, on Lincoln Road, which leads directly to Lincoln's Eastern Bypass (A15), 1 mile to the west.

Washingborough's population has a 31% top 1 Acorn rating, which is significantly ahead of the UK average of 22.5%.

Washingborough is a large village of 6,385 people with a further 65,000 within a 0-10 minute drive time of the property.



A1 11m
M1 35m

Lincoln
3 m North

Primary catchment
population over
419,000

Description

The development will comprise a supermarket and associated car park on a self-contained and landscaped site. The property will extend to 1,681.99 sq.m (18,105 sq.ft).

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 81 car parking spaces including 5 disabled spaces and 4 electric vehicle charging points.

The unit will be constructed to a target EPC rating of A and a BREEAM rating of Very Good.

Site Area

The site extends to 1.01 hectares (2.5 acres).

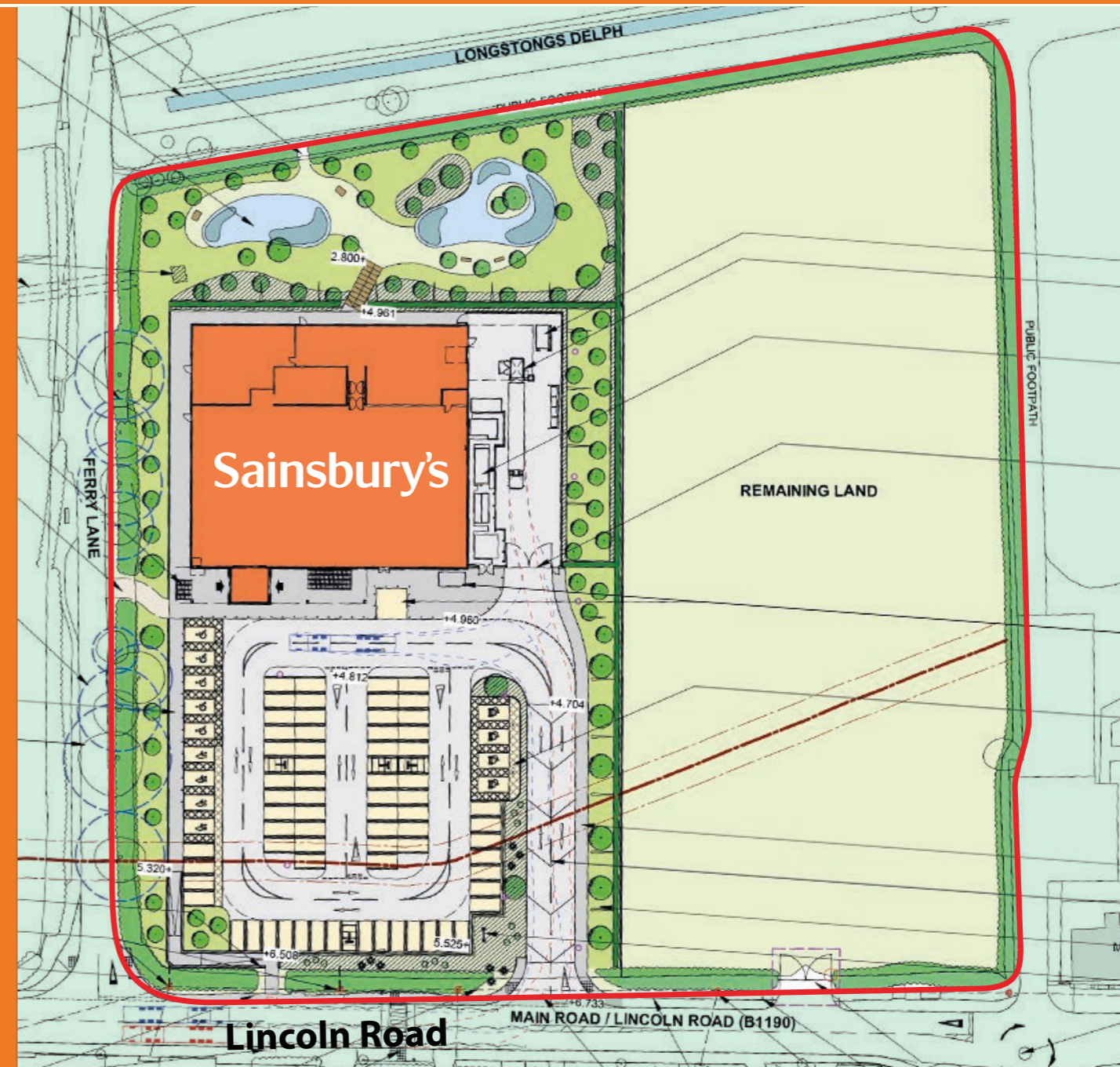
Tenure

Freehold.

Tenancy

The property is pre-let to Sainsbury's Supermarkets Ltd for a term of 20 years from practical completion. The lease is to be held on full repairing and insuring terms with five yearly upward only reviews to CPI, collared at 1% and capped at 3.5% per annum compounded.

The commencing rent will be £376,765 per annum (£20.81 per sq.ft).



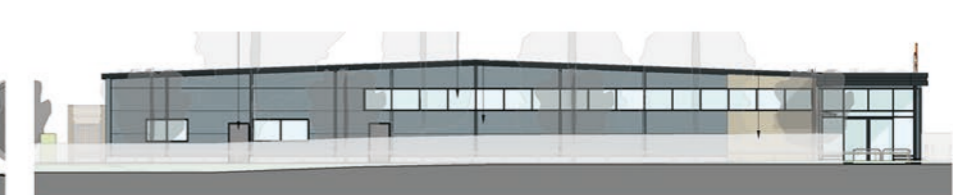
Proposed South Elevation



Proposed North Elevation



Proposed East Elevation



Proposed West Elevation

Covenant

Sainsbury's

Sainsbury's was founded in 1869 and is the second largest foodstore operator in Great Britain, with a current 14.8% market share [Kantar, Sep-23].

Sainsbury's occupy over 23 million sq ft of retail space in the UK across over 1,400 stores. Sainsbury's announced their results for the 2022/23 financial year in June, with total retail sales up 5.2% and Group underlying profit before tax coming in at £690 million, at the top end of their previous guidance range.

Sainsbury's have continued their positive momentum into 2023/24 with grocery sales reported up 11% in a first quarter trading statement to 24th June 2023.

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

The subject property has been selected by Sainsbury's for its Hub store concept which targets stores of 15,000-18,000 sq.ft in underserved residential catchments. Washingborough and the east of Lincoln city centre currently does not have any larger food offers to serve the catchment population without travelling to the north-west of the city. The proposed store will serve the local resident population and the eastern and southern side of the city.

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

Supermarket Investment Comparables

Address	Tenant	Term Certain	Transaction Date	Price £	Yield %	Comments
Leicester	Aldi	7.9 years	Oct 23	£6,000,000	5.30%	Rent topped up to 2026 review. Reviews 5 yearly to RPI collared at 1% and capped at 2.5% per annum compounded.
Gosport	Aldi	15 years	May 23	£5,600,000	5.50%	Reviews 5 yearly to RPI collared at 1% and capped at 2.75% per annum compounded.
Weymouth	Aldi	17 years	May 23	£6,950,000	4.85%	5 yearly reviews to RPI% collared at 1% and capped at 3% pa compounded.
High Wycombe	Lidl (83%), Cobra Coffee, Wenzel's The Bakers, Osprey Charging	11 years	Jan 23	£11,000,000	5.17%	Lidl reviews 5 yearly to CPI capped at 2% pa compounded.

Planning

The Developer has received a detailed planning consent (application number 22/0362/FUL) for the development of a new foodstore (Class E) with associated new access onto B1190, parking, servicing, drainage, landscaping and habitat area as well as highway works and the creation of new access in adjoining field.

A copy of the planning consent is available on request.

Development Programme

Sainsbury's in partnership with Hinton Group have exchanged an option agreement to acquire the site. The major milestones for the development are as follows:

- **The development will commence in Q1 2024.**
- **Practical completion in Q4 2024.**

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

Developer & Contractor



The property will be developed by Hinton Group on behalf of Sainsbury's, 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

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 **£6,730,000 (Six Million Seven Hundred and Thirty Thousand Pounds)** subject to contract and exclusive of VAT.

A purchase at this level would reflect a net initial yield of **5.25%**, assuming costs of purchase on the site of 6.65%.

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 £1,500,000
- Monthly payments based on Employers Agent's certificates.
- The Development will take 8 months to construct.
- A balancing payment at practical completion to bring the total expenditure to the anticipated total consideration of £6,730,000, reflecting an overall funding yield of 5.25%.
- All expended monies will attract a monthly interest return based upon the proposed capitalisation rate of 5.25%.
- Our calculations have allowed for full SDLT liability on the entire gross development value. We envisage that savings of circa **£246,500** 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 **5.34%**.

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.



Contacts

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